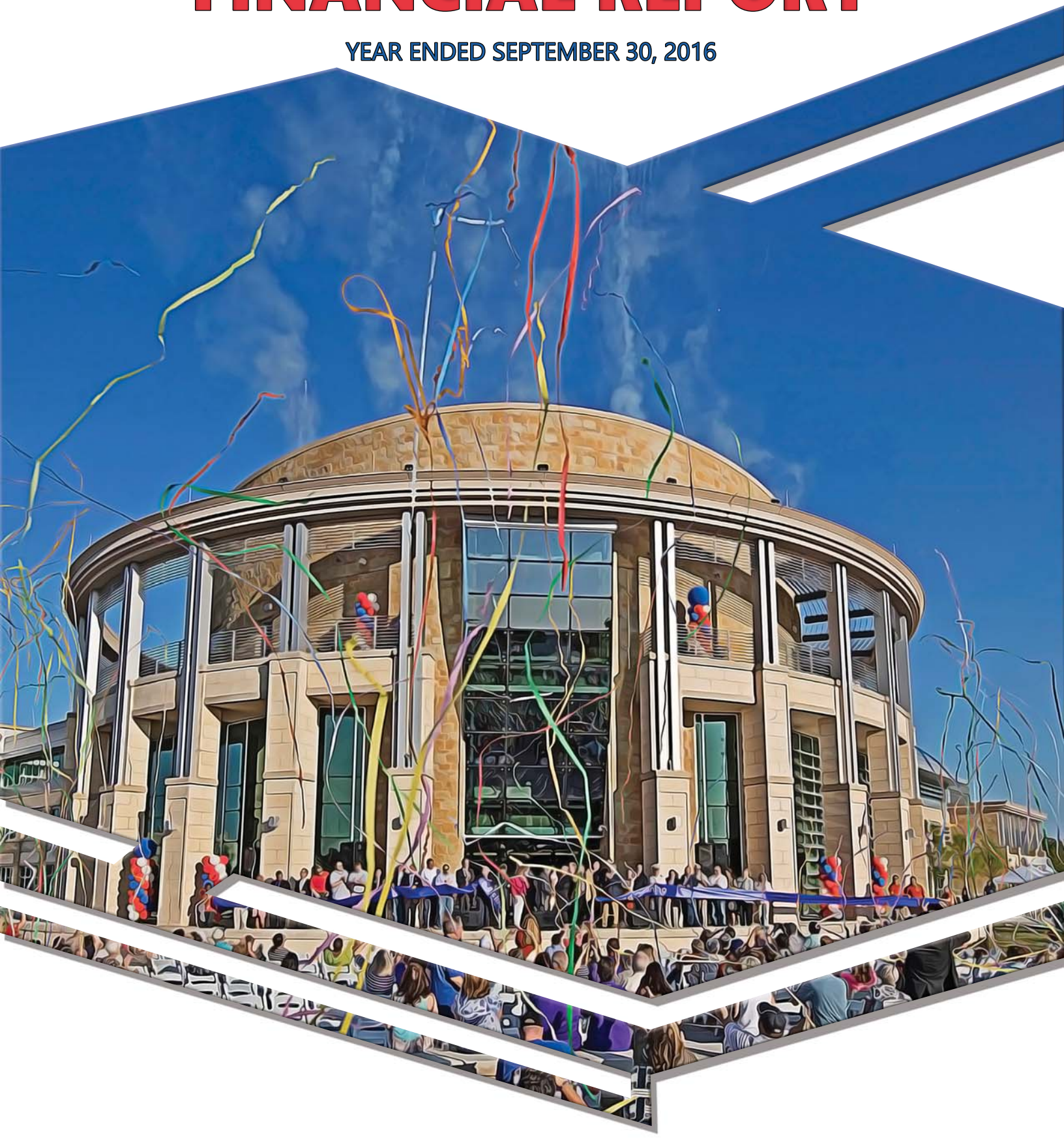
CITY OF NORTH RICHLAND HILLS, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2016



About The Cover

North Richland Hills' new City Hall has consolidated into one campus city services that were once housed in six buildings on three different campuses, two of which were impacted by the Loop 820 widening. The 182,000-square-foot facility includes about 89,000 square feet for Public Safety operations, about 78,500 square feet for City Hall and about 14,500 square feet for Municipal Court. Construction of the new City Hall was approved by North Richland Hills voters in 2012. Our new City Hall opened on March 29, 2016 and the grand opening ceremony was held on May 13, 2016.

Cover Designed by
Budget and Research Department
City of North Richland Hills, Texas

Cover Photos: Courtesy of Communications Department

CITY OF NORTH RICHLAND HILLS, TEXAS

Comprehensive Annual Financial Report
Year Ended September 30, 2016

City Officials

Oscar Trevino
Mayor

Tim Welch
Place 7
Mayor Pro Tem

Tito Rodriguez
Place 1

Rita Wright Oujesky
Place 2

Tom Lombard
Place 3

Dr. Tim Barth
Place 4

David Whitson
Place 5

Scott Turnage
Place 6

Mark Hindman
City Manager

Karen Bostic
Assistant City Manager

Paulette Hartman
Assistant City Manager

Jimmy Perdue
Director of Public Safety

Mike Curtis
Managing Director for Development Services

Mark Mills
Director of Finance
Interim Budget & Research Director

Prepared by: Finance Department

NORTH RICHLAND HILLS
City of Choice

ACKNOWLEDGEMENTS

The Comprehensive Annual Financial Report was prepared by the Department of Finance Office of Accounting:

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Director of Finance
Interim Budget & Research Director

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Special appreciation is given to:

Budget and Research Department
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Human Resources Department
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James Edwards, Human Resources Analyst
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Jenny Bransford, Payroll Specialist
Nancy Holcomb, Human Resources Generalist

And to all the departments and personnel throughout the City whose extra effort to contribute timely financial data for their departments made this report possible.

CITY OF NORTH RICHLAND HILLS, TEXAS

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Year Ended September 30, 2016

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Introductory Section

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NORTH RICHLAND HILLS
NRH
THE CITY OF CHOICE

Department of Finance

May 3, 2017

To the Honorable Mayor, City Council Members, City Manager, and Residents of the City of North Richland Hills, Texas:

We hereby issue the comprehensive annual financial report of the City of North Richland Hills, Texas (the "City") for the fiscal year ended September 30, 2016.

This report consists of City management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in the report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles ("GAAP"). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by BKD, LLP, independent auditors. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions that the City's financial statements for the fiscal year ended September 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

P.O. Box 820609 ◆ North Richland Hills, Texas ◆ 76182-0609
7301 Northeast Loop 820 ◆ Finance ◆ 817-427-6166 ◆ Fax 817-427-6151

Profile of North Richland Hills

The City, incorporated in 1953, is a growing community located in the heart of the Dallas/Fort Worth Metroplex. The City's estimated population is 66,530 for 2016. The City is also home to over 1,200 commercial and industrial businesses. The third largest city in Tarrant County, North Richland Hills ("NRH") is only 10 minutes from downtown Fort Worth and 25 minutes from downtown Dallas. Interstate Loop 820 and Texas 121/183 (Airport Freeway) traverse the City, providing freeway access to five additional interstates and numerous US and state highways. The City is also conveniently located 10 minutes from Dallas/Fort Worth International Airport and 15 minutes from Alliance Airport. D/FW International Airport has over 2,000 flights daily with non-stop service to all major North American cities and many overseas destinations. The Alliance development facilitates the transport of merchandise through both the airport and the Burlington Northern/Santa Fe Intermodal Facility.

The City operates under a charter adopted in 1964 which provides for a Council-Manager form of government. The Mayor and seven Council members are elected at large. The City Council is responsible for all matters of policy as well as for levying taxes, securing revenues, authorizing expenditures of City funds, and incurring City debts. The City Manager is directly responsible to the City Council. An organizational chart follows to show the various levels of responsibility.

The City provides a full range of services. These services include police and fire protection; municipal court operations; the construction and maintenance of streets and infrastructure; parks, library, and recreational activities including tennis center operations; neighborhood services activities; planning and inspections; and the operations of a water and wastewater system, a golf course, and a public waterpark. A private contractor, through a franchise agreement, provides solid waste collection and disposal services for the City.

The annual budget serves as the foundation for the City's financial planning and control. The City maintains budgetary controls to ensure compliance with provisions in the annual budget adopted by the City Council. Annual operating budgets are adopted for the General Fund, certain Special Revenue Funds, Debt Service Funds, Enterprise Funds, and Internal Service Funds. Project-length financial plans are adopted for the Capital Project Funds. The level of budgetary control – the level at which expenditures/expenses cannot legally exceed the appropriated amount – is established at the fund level. Detail control is accomplished by maintaining appropriations, encumbrances, and expended balances by line item within each operating department, within each operating fund. All annual appropriations lapse at the end of the fiscal year. Budgetary data for proprietary funds has not been presented since reporting on such budgets is not legally required.

Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to September 30, the budget is legally enacted through passage of an ordinance. The appropriated budget is prepared by fund, department, and division. The City Manager is authorized to transfer budgeted amounts between departments within any fund. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Transfers of appropriations between funds require the approval of the City Council. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, comparisons begin on page 74 in the required supplementary information segment of the financial statements. The comparisons for other governmental funds with appropriated annual budgets are presented in the other supplementary information of this report.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy — The City continues to grow as all major economic indicators are trending in the right direction and it remains geographically positioned as the main link between bustling downtown Fort Worth and affluent Northeast Tarrant County. Adjacent to the high socioeconomic level cities of Colleyville, Keller and Southlake; the City remains not only the largest City in Northeast Tarrant County with 66,530 people, but it is poised to eclipse 85,000 people within the next two decades.

According to the U.S. Census Bureau, the City has grown by 9% in total population, adding over 6,700 residents since 2010. This growth rate slightly exceeds that of the county, which includes the high growth areas of North Fort Worth, the city of Keller, the city of Southlake and the city of Mansfield.

This past year also witnessed continued growth in taxable sales, taxable property values and new home starts. Compared to the previous fiscal year, taxable sales grew by 4.1%, a $38 million increase. This figure is expected to increase in Fiscal Year 2016/17 as additional retail and restaurants open along the central sector's Northeast Loop 820 commercial corridor and the far north sector of the City. Taxable property value grew for the 6th straight year, this time over $471 million, and eclipsed $4.2 billion in net taxable value. Finally, the City continued steady residential growth, adding another 249 new single family homes with an average value over $330,000 while approving 175 more lots. This kept the residential development funnel full with 425 shovel ready lots. Residential growth was only exceeded by the city of Southlake in Northeast Tarrant County.

The City maintains a diverse mix of 1,200 brick and mortar businesses with 14 primary employers representing 5,000 full time jobs within the healthcare, aerospace and supply chain sectors. Notably in 2016 the City welcomed Total Shooting Sports, the largest indoor gun range in North Texas. This facility opened in November 2016 in a former Home Depot Expo building that had sat vacant for 10 years. Other noteworthy new businesses have mainly come from the restaurant category including Slim Chickens, El Pollo Loco, Mr. Gatti's Pizza, Arby's, Baja Cantina, First Watch Café and Andy's Frozen Custard. Upcoming significant new developments include a 30,000 square foot LA Fitness and the re-occupancy and renovation of a 40,000 square feet of vacant retail box with a home décor business – The Painted Tree. The City will also be gaining a business called Stericycle, which will occupy about 75,000 square feet and bring 500 additional jobs to town.

The City continues to experience quality commercial development and revitalization thanks to high standards and the ability to adapt and reinvent itself. New commercial growth continues around two grocery anchored shopping centers, while commercial redevelopment progresses along Northeast Loop 820 as over 13 acres, representing 20% of the City's highway frontage, is now either for sale or undergoing redevelopment.

2017 is projected to be another strong year given the aforementioned economic update, and the City is setting the stage for two separate commuter rail stops in 2018. The station sites are surrounded by 160 acres of unimproved property forecasted to develop over the next 10 years.

Long-term financial planning — In 2012, NRH voters authorized the construction of a new City Hall. The election authorized $48 million in general obligation debt for the project. The new facility is the center of a new economic environment in the oldest part of the city. Located on the site of a former retail mall, the plans provide for mixed use where commercial and multiple family housing stimulate the revitalization of the area. This project was substantially complete, and the space occupied beginning in March 2016.

At least annually, management reviews and updates long-range financial plans for the general operations of the City as well as the proprietary activities. Forecasts are prepared using conservative growth estimates for major sources of revenue. Maintaining this conservative approach, coupled with an aggressive debt repayment policy, has assisted the City in retaining a favorable bond rating since 1997. Analysis is continuously updated to reflect new bond issues and the repayment thereof, as well as updates to estimates based on new developments, historical trends, changes in applicable legal requirements, and Council and management priorities.

The plans for the internal service funds include the accumulation of resources for meeting both current and future needs. For example, facilities, fleet, and information technology support services collect user fees to meet current maintenance needs as well as to meet future capital replacement needs.

Similarly, the City's policy with regard to self-insurance premiums has been to collect sufficient amounts to cover current health and dental claims as well as additions to reserves for future claims. In fiscal years 2002 and 2003 the Self Insurance (Internal Service) Fund reserves of $3.1 million were depleted due primarily to spiraling inflation in the health care industry and unforeseeable extraordinary health claims. In fiscal year 2004, City Council adopted a strategy to rebuild reserves over a six-year period beginning in fiscal year 2005. Savings from changes in the health care plan, transfers from existing cash reserves in the General Fund and Water and Sewer Fund, and employee premiums were used and continue to re-establish the reserves. In both 2015 and 2016, the City once again experienced significant inflationary costs and extraordinary health claims, which necessitated the use of a portion of the rebuilt reserves.

Similar plans for the build-up of reserves exist for the City's enterprise operations. Funds are set aside to meet future capital replacement needs such as infrastructure replacement and capital asset acquisitions. This approach has allowed the City's water and sewer operation to meet the majority of its capital replacement needs with the issuance of minimal debt. NRH_2O, the City's waterpark, has funded some new attractions and infrastructure improvements by utilizing cash reserves accumulated from operations.

Cash management policies and practices – The City's current bank depository contract with JP Morgan Chase Bank, N.A., began on October 1, 2014 and will be in effect through September 30, 2017, with a City option to extend the contract for an additional two years. Cash temporarily idle during the year was invested in four public funds investment pools, certificates of deposit, agency securities, and U.S. Treasury Notes.

The maturities of the investments range from overnight to three years. The average yield for overnight investments for fiscal year 2016 was 0.36%, and the weighted average maturity ("WAM") was 41 days. The average yield on all other investments for fiscal year 2016 (yield at cost) was 1.00% compared to 0.80% for the prior year. The portfolio's weighted average maturity for all other investments at the end of the fiscal year was 676 days, which represents an 81-day increase over last year's WAM of 595 days.

At fiscal year-end, approximately 57% of the portfolio was invested beyond one year, 8% was invested for one year or less, and the remaining 35% was invested in the overnight market. The City continues to use the services of PFM Asset Management, LLC as an investment advisor and overseer of the portfolio, which began on October 1, 2009.

Risk management — The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. While the City has historically retained a portion of these risks, coverage exists for: general, employment practice, law enforcement, and errors and omissions liability; excess workers' compensation; property damage; commercial crime coverage; and employee life insurance. The Self-Insurance Fund is responsible for workers' compensation, health, automobile liability, and general liability insurance. The City maintains a stop loss third party insurance policy with respect to health claims. This policy covers City medical claims in excess of $175,000 per individual per year, and/or $8,518,664 in the aggregate for a 12-month period beginning on January 1, 2016. Self-Insurance Fund claims are funded by charges to other funds and employee, retiree, and dependent premiums. Additional information on the City's risk management activity can be found in the notes to the basic financial statements.

Pension and other post-employment benefits — The City participates in the Texas Municipal Retirement System ("TMRS"), an agency authorized by the State of Texas. Employees of the City contribute a fixed percentage of their gross pay (currently 7%). TMRS participants are immediately vested in those funds they contribute plus allocated interest. Participants are vested in employer contributions after five years of credited participation. If participants withdraw from TMRS prior to five years of credited participation, they may withdraw from TMRS those funds they contributed plus interest earnings. The City also provides postretirement health and dental care benefits for certain retirees and their dependents. As of the current fiscal year, there were 155 retired employees receiving these benefits. Additional information on the City's pension arrangements and post-employment benefits can be found in the notes to the basic financial statements.

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Awards — The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded the Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such comprehensive annual financial reports must satisfy both GAAP and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last thirty-three consecutive years. Staff believes the current Comprehensive Annual Financial Report continues to conform to the Certificate of Achievement Program requirements and it will be submitted to the GFOA for review.

The City also received an award in 2016 for the 2015-2016 operating budget. The Distinguished Budget Presentation award was granted to the City for the 26th consecutive year by the GFOA.

Acknowledgments — Timely preparation of this Comprehensive Annual Financial Report was made possible by the dedicated service of the Finance Department staff and our independent auditors. We would like to express sincere appreciation to those who contributed to the process.

In closing, the continued leadership and support of the Mayor, City Council, and City Manager in planning and conducting the financial operation of the City is sincerely appreciated.

Respectfully submitted,

Karen Bostic
Assistant City Manager

Mark C. Mills
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of North Richland Hills

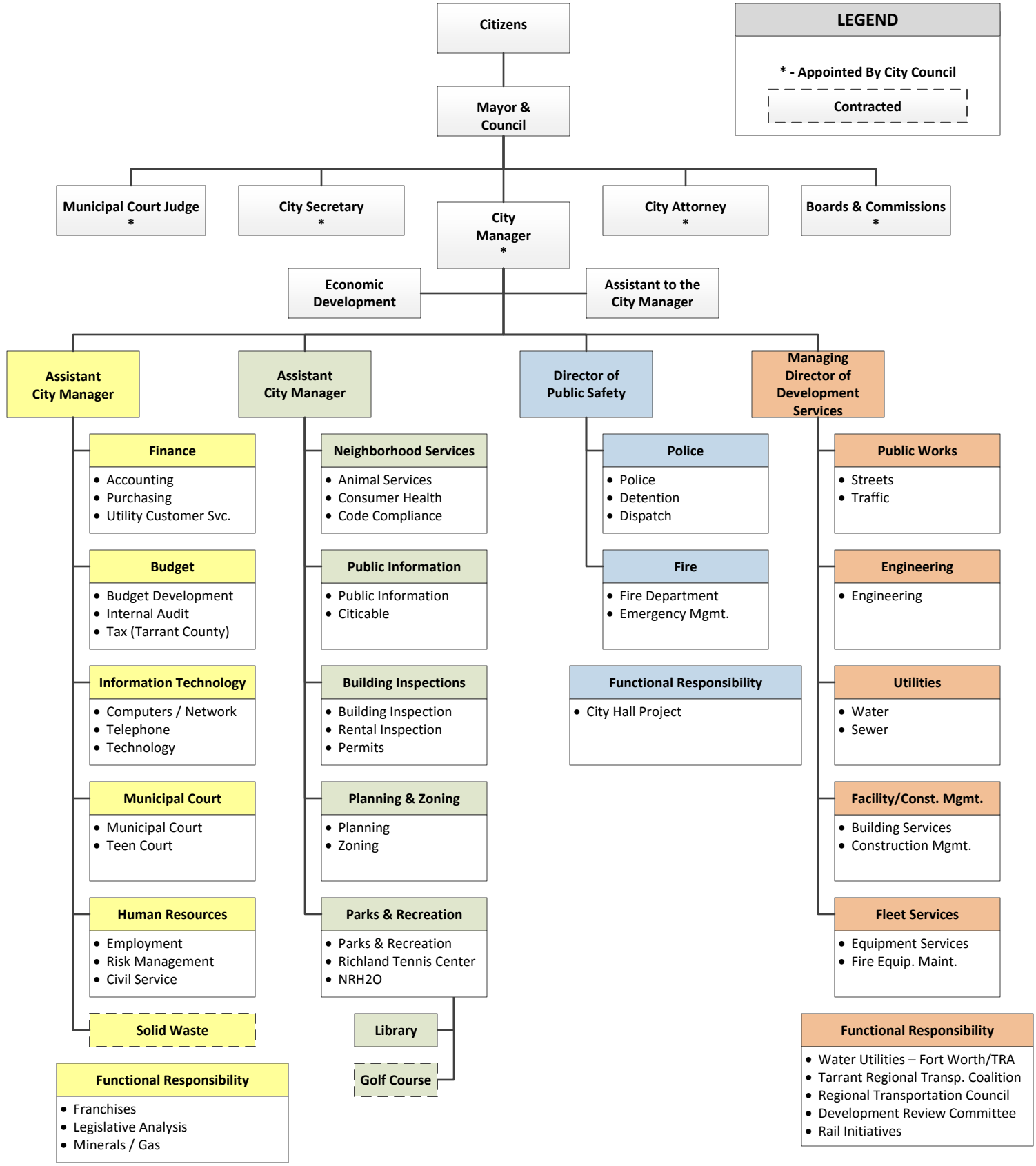
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

ORGANIZATION CHART



September 07, 2016

CITY OF NORTH RICHLAND HILLS, TEXAS

List of Principal Officials
September 30, 2016

MAYOR	OSCAR TREVINO
MAYOR PRO TEM, COUNCIL MEMBER, PLACE 7	TIM WELCH
COUNCIL MEMBER, PLACE 1	TITO RODRIGUEZ
COUNCIL MEMBER, PLACE 2	RITA WRIGHT OUJESKY
COUNCIL MEMBER, PLACE 3	TOM LOMBARD
COUNCIL MEMBER, PLACE 4	DR. TIM BARTH
COUNCIL MEMBER, PLACE 5	DAVID WHITSON
COUNCIL MEMBER, PLACE 6	SCOTT TURNAGE

City Manager	Mark Hindman
Assistant City Manager	Karen Bostic
Assistant City Manager	Paulette Hartman
Director of Public Safety	Jimmy Perdue
Managing Director of Development Services	Mike Curtis
Managing Director of Community Services	Vickie Loftice
City Secretary	Alicia Richardson
City Attorney	Maleshia Farmer
Director of Human Resources	Patrick Hillis
Director of Finance	Mark Mills
Interim Director of Budget and Research	Mark Mills
Director of Economic Development	Craig Hulse
Planning Manager	Clayton Comstock
Public Information Officer	Mary Peters
Director of Information Technology	Kyle Spooner
Municipal Court Administrator	Debbie Durko
Director of Neighborhood Services	Stefanie Martinez
Library Director	Cecilia Hurt Barham
Fleet Services Superintendent	Tim Doyle
Fire Chief	Stan Tinney
Director of Facilities & Construction	Chris Amarante
Chief Building Official	Dave Pendley

Financial Section

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BKD LLP
CPAs & Advisors

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Independent Auditor's Report

The Honorable Mayor and Members of the City Council
City of North Richland Hills, Texas
North Richland Hills, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of North Richland Hills, Texas (the City) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2016, and the respective changes in financial position and, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension and other postemployment information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements, budget to actual schedules, introductory and statistical sections as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and budget to actual schedules information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Dallas, Texas
May 3, 2017

CITY OF NORTH RICHLAND HILLS, TEXAS
Management's Discussion and Analysis
September 30, 2016

The City of North Richland Hills, Texas (the "City") Management's Discussion and Analysis ("MD&A") is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the City's financial statements (beginning on page 17).

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2016 by over $303 million (net position). Of this amount, approximately $21.7 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- The City's total net position decreased by $6.1 million in fiscal year 2016. Additional details of this decrease may be found beginning on page 18.

- As of September 30, 2016, the City's governmental funds reported combined fund balances of $63,632,144, which represents a decrease of $12.6 million in comparison to the prior fiscal year's ending balance. The majority of this decrease is attributed to General Capital Project expenditures, in particular the new city hall facility.

- Approximately 49.4% of total governmental fund balance, or $31,413,805, is available for appropriation at the City's discretion (assigned and unassigned fund balance).

- The City's objective regarding General Fund fund balance is to maintain a minimum unassigned fund balance to operate the City for a period of 60 days or 15% of the following year's appropriated budgeted expenditures. This objective was met at year end.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $8,437,828 or 18.4% of General Fund actual expenditures, including transfers out, for 2016. This unassigned balance represents 18.6% of the Fiscal Year 2016/2017 adopted budget.

- The City's total debt decreased by approximately $6.9 million during the current fiscal year. This includes the addition $5.1 million in new debt and $3.1 million in a refunding bonds, net of scheduled principal payments.

Overview of the Financial Statements

MD&A is intended to introduce the reader to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other required supplementary information in addition to the basic financial statements.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, unused vacation leave). Both the Statement of Net Position and the Statement of Activities are prepared using the accrual basis of accounting as opposed to the modified accrual basis used in governmental funds.

In the Statement of Net Position and the Statement of Activities, the City's operations are separated into two types of activities:

- *Governmental activities* - Most of the City's basic services are reported here, including the activities of public safety, culture and recreation, public works, and general government. Property taxes, sales taxes, and franchise fees finance most of these activities.

- *Business-type activities* – For this type of activity, the City charges a fee to customers to cover all or most of the cost of services provided including the recovery of costs of capital assets used in the delivery of such services. The City's water and sewer, golf course, and aquatic park activities are reported here.

  The government-wide financial statements can be found on pages 17 – 18 of the comprehensive annual financial report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law, bond covenants, or Council ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- *Governmental funds* - The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances available for appropriation at year-end. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Statements of governmental funds provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available for appropriation in the near future to finance City programs. By comparing information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City maintains six major individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds (pages 19 - 26). The General Fund, General Debt Service Fund, General Capital Projects Fund, Parks and Recreation Development Fund, Gas Development, and Tax Increment Finance District No. 2 are the major governmental funds of the City. Data from the other non-major governmental funds are combined into a single, aggregated presentation in the governmental statements.

- *Proprietary funds* - The objective of proprietary funds is to charge customers, both internal and external, for services provided in an amount sufficient to cover virtually all costs including the replacement of assets used in the delivery of such services. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are almost identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as the statement of cash flows. The internal service funds (the other component of proprietary funds) are utilized to report activities that provide supplies and services for the City's other programs and activities, such as the City's facilities maintenance and construction services, fleet management, employee and property insurance coverage, and telephone and computer services. Because these services benefit both governmental and business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

  The City maintains three enterprise funds, which it uses to account for the provision of water and wastewater services, golf course operations, and water park activities. The City has two major proprietary funds: Utility and Aquatic Park. Golf course is considered a non-major fund. Financial statements for the enterprise funds can be found on pages 27 – 30 of the report.

Notes to the financial statements - The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 - 70 of this report.

Government-Wide Financial Analysis

The government-wide financial analysis highlights the information contained in the Statement of Net Position and Statement of Activities. The City's combined net position was $303,052,459 as of September 30, 2016. Analyzing the net position of governmental and business-type activities separately, governmental activities total net position was $231,791,311 and business-type activities total net position was $71,261,148. This analysis focuses on the net position and changes in program and general revenues and significant expenses of the City's governmental and business-type activities.

Statement of Net Position – The largest portion of the City's net position (83.8%) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, capital assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these obligations. The following table presents the condensed government-wide statement of net position as of September 30, 2016 and 2015. Current and other assets include restricted deposit and investment balances.

Schedule of Assets, Liabilities, and Net Position
Amounts shown in thousands ($000's)
As of September 30, 2016

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 82,341	$ 100,963	$ 30,980	$ 35,912	$ 113,321	$ 136,875
Capital assets, net	315,785	308,281	69,434	69,242	385,219	377,523
Total Assets	398,126	409,244	100,414	105,154	498,540	514,398
Total deferred outflows of resources	14,733	5,800	1,883	701	16,616	6,501
Long-term liabilities	155,857	153,843	25,882	21,850	181,739	175,693
Other liabilities	22,414	29,230	4,793	5,102	27,207	34,333
Total liabilities	178,271	183,073	30,675	26,953	208,946	210,026
Total deferred inflows of resources	2,797	1,530	361	203	3,158	1,733
Net Position:						
Net investments in capital assets	199,625	196,388	54,387	57,336	254,012	253,724
Restricted	4,006	3,451	3,508	4,154	7,514	7,605
Unrestricted	28,160	30,602	13,366	17,209	41,526	47,811
Total net position	$ 231,791	$ 230,441	$ 71,261	$ 78,699	$ 303,052	$ 309,140

Statement of Activities – Governmental activities increased the City of North Richland Hills' net position by $1.35 million in fiscal year 2016, and business-type activities decreased net position by $7.44 million. The following table presents the condensed government-wide statement of activities for the years ended September 30, 2016 and 2015.

Changes in Net Position
Amounts shown in thousands (000's)
Year Ended September 30, 2016

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	$ 11,873	$ 13,207	$ 37,102	$ 36,400	$ 48,975	$ 49,607
Operating grants and contributions	3,336	2,966	-	-	3,336	2,966
Capital grants and contributions	4,575	479	-	-	4,575	479
General revenues:						
Property tax	27,060	26,099	-	-	27,060	26,099
Sales tax	19,324	18,572	-	-	19,324	18,572
Mixed beverage	139	138	-	-	139	138
Franchise taxes	4,437	4,502	-	-	4,437	4,502
Occupancy taxes	275	233	-	-	275	233
Unrestricted investment earnings	522	514	128	120	650	634
Miscellaneous	4,078	188	3	35	4,081	223
Total revenue	75,619	66,898	37,233	36,555	112,852	103,453
Expenses:						
General government	17,381	11,394	-	-	17,381	11,394
Public safety	36,372	31,516	-	-	36,372	31,516
Culture and recreation	12,638	12,542	-	-	12,638	12,542
Public works	9,570	8,959	-	-	9,570	8,959
Interest and other fees	4,016	4,488	-	-	4,016	4,488
Utility	-	-	31,491	30,229	31,491	30,229
Aquatic park	-	-	5,006	4,354	5,006	4,354
Golf course	-	-	2,466	2,394	2,466	2,394
Total expenses	79,977	68,899	38,963	36,977	118,940	105,876
Increase (decrease) in net position	(4,358)	(2,001)	(1,730)	(422)	(6,088)	(2,423)
Transfers between governmental and Business-Type activities	5,708	3,974	(5,708)	(3,974)	-	-
Net Increase (decrease) in net position	1,350	1,973	(7,438)	(4,396)	(6,088)	(2,423)
Net position - beg. of year	230,441	228,468	78,699	83,095	309,140	311,563
Net position - end of year	$ 231,791	$ 230,441	$ 71,261	$ 78,699	$ 303,052	$ 309,140

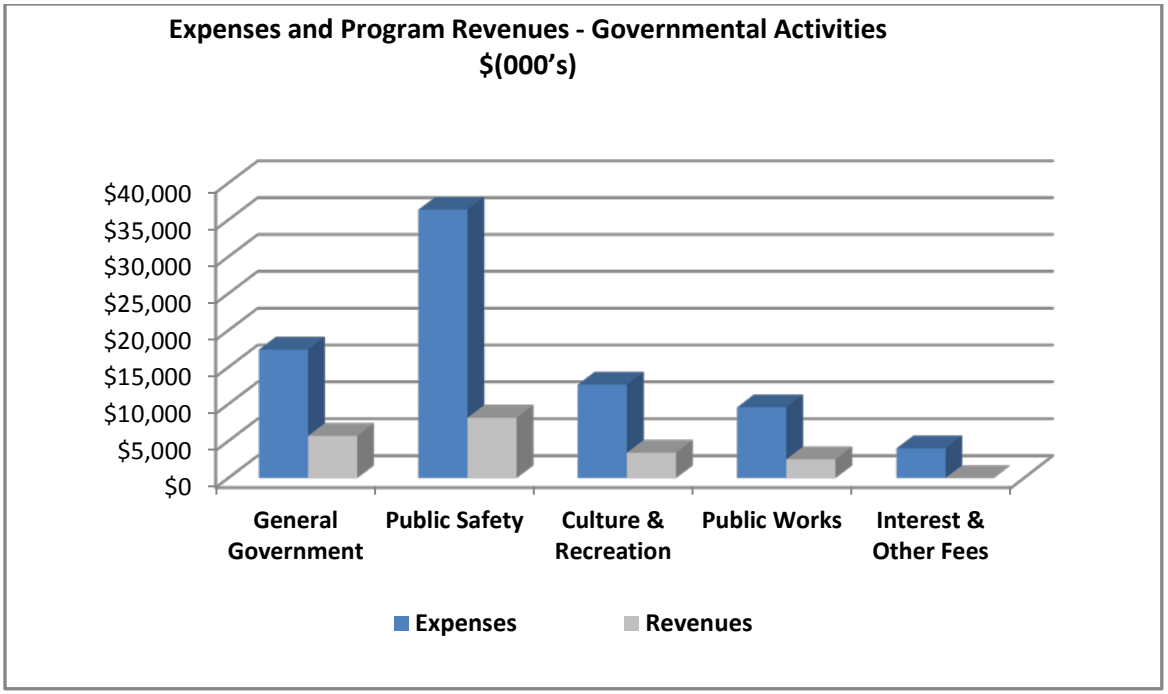
Governmental activities – In comparison to 2015, overall assets for Governmental Activities decreased $11.1 million or 2.7% in 2016. Capital assets increased $7,504,314 in 2016. This activity was related to capital improvement projects, especially the construction of the new $70 million city hall municipal facility completed in early 2016. Governmental Activity debt liability totals declined 7.3% or approximately $9.3 million over 2015 balances. During the year, governmental activities of the City issued $1,850,000 in new debt, as well as a $1,930,000 refunding, offset by principal repayments of $13.1 million.

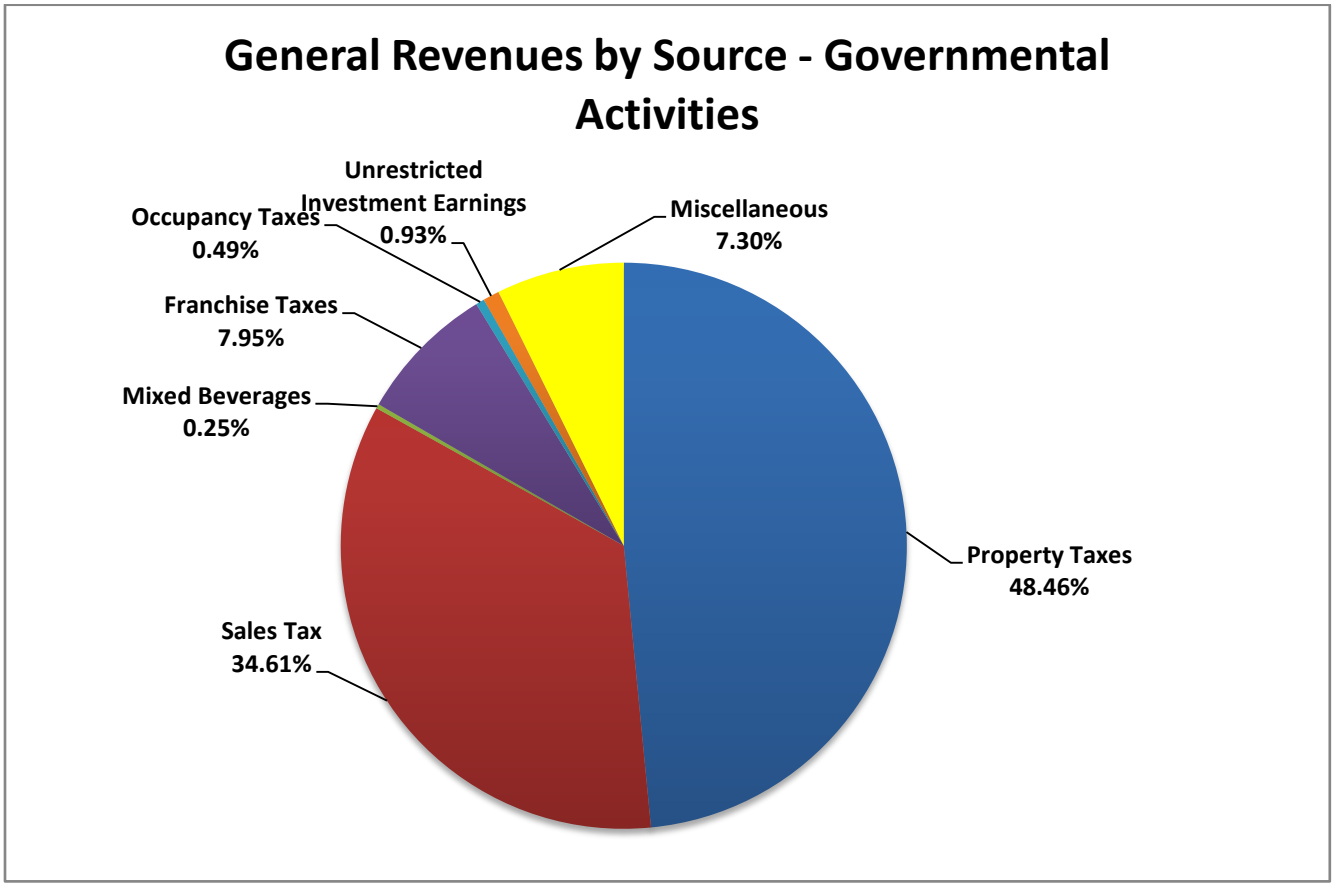
During fiscal year 2016, Net Pension Liability for governmental activities increased $9,300,237 for a total $28,272,893. This is the result of multiple factors. First, there was an actuarial change in the discount rate percentage used for Measurement Year 2015 from 7% to 6.75%. The second change was the result of the performance of the Dow Jones during this measurement period; down 2.23% for calendar year 2015. Also, there was a significant increase of $8,919,172 in deferred outflows related to pensions that offset net pension liability. More information is provided in Note IV.D.

Governmental activities increased the City of North Richland Hills' net position by approximately $1.35 million in fiscal year 2016. The City had an increase in tax revenues of $1.69 million during 2016. Property and Sales tax revenues had the biggest gains of this total with increases of $960,958 and $753,520 respectively. Property taxes rose 3.7% due to an increase in the taxable base. This increase was the result of changes in existing values, plus an additional $110 million in taxable value from new construction. Of the new construction value increase, residential new construction accounted for roughly 42%, while commercial represented roughly 58%. Sales taxes grew 4.1% due to continued economic recovery, especially from the major interstate corridor construction that caused sales tax revenues to level off in prior years.

Charges for services decreased $1.33 million or approximately 10.1%. Operating Grants and Contributions saw an increase of $369,817 in 2016 versus 2015 activity. The sharpest change was to Capital Grants and Contributions, which increased by roughly $4.1 million. This increase was expected due to major grant capital in the area of General Government, Public Safety and Public Works. Significant projects included the HIDTA funded North Texas Anti-Gang Center, the Davis/Mid-Cities Intersection, and the reconstruction of Rufe Snow Drive.

The Governmental activities saw a total increase in expenses totaling approximately $11.1 million or approximately 16.1% compared to the prior fiscal year. This change appears as an increase across all activity divisions except Interest & Other. The most significant increases in expenses were seen in general government and public safety, approximately $6.0 million and $4.9 million respectively. General government increased primarily due to the net pension expense adjustment required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* reporting requirement, a 3% merit increase for employees and a significant increase in health and dental claims during 2016 as compared to 2015. Public safety increased primarily due to expenses incurred under the new Texas Anti-Gang Center grant program and a 3% merit increase for employees. Two non-fund specific expenses, OPEB and depreciation, recognized only in the government wide statements, grew during 2016. Like last year, OPEB costs continue to rise, increasing the liability by $1.6 million, or 17.2%. Depreciation expense rose $1,450,105, or 16.7%. Debt service interest and fiscal charge expense decreased by approximately 10.5% or $472,333. Refer to the fund level financial analysis section for further details.



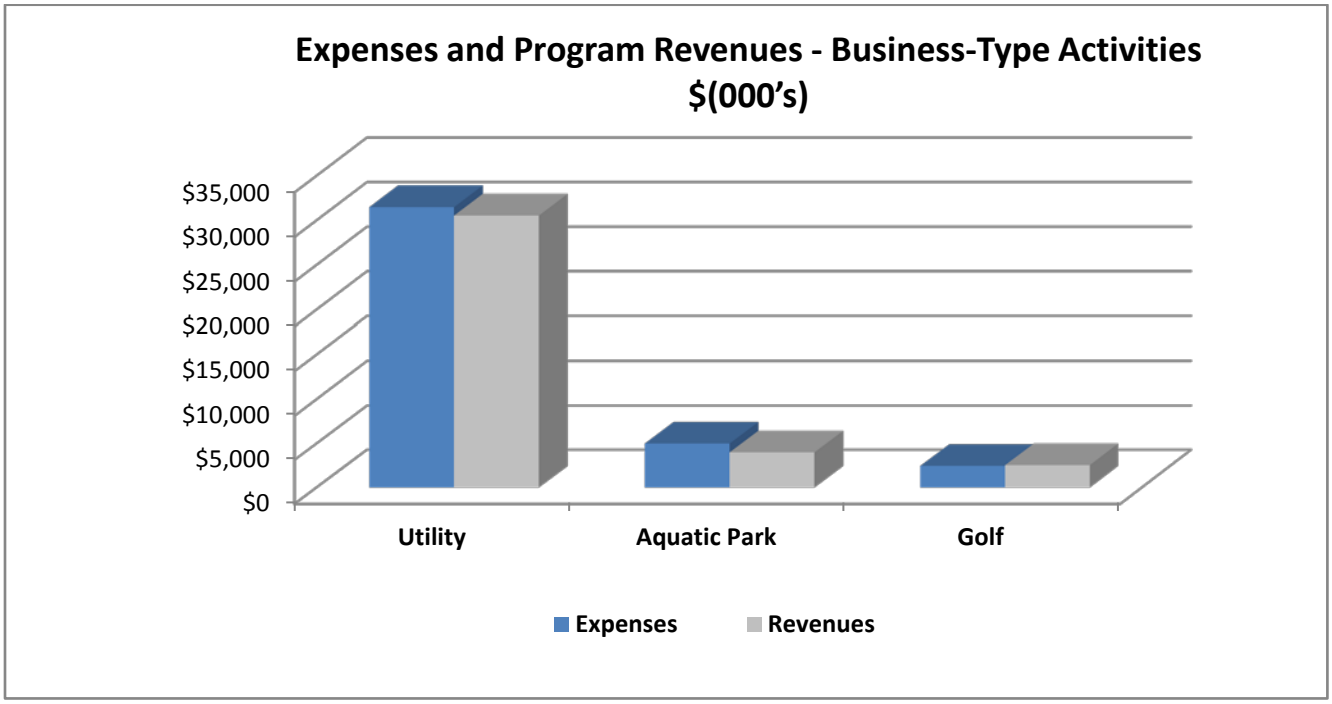


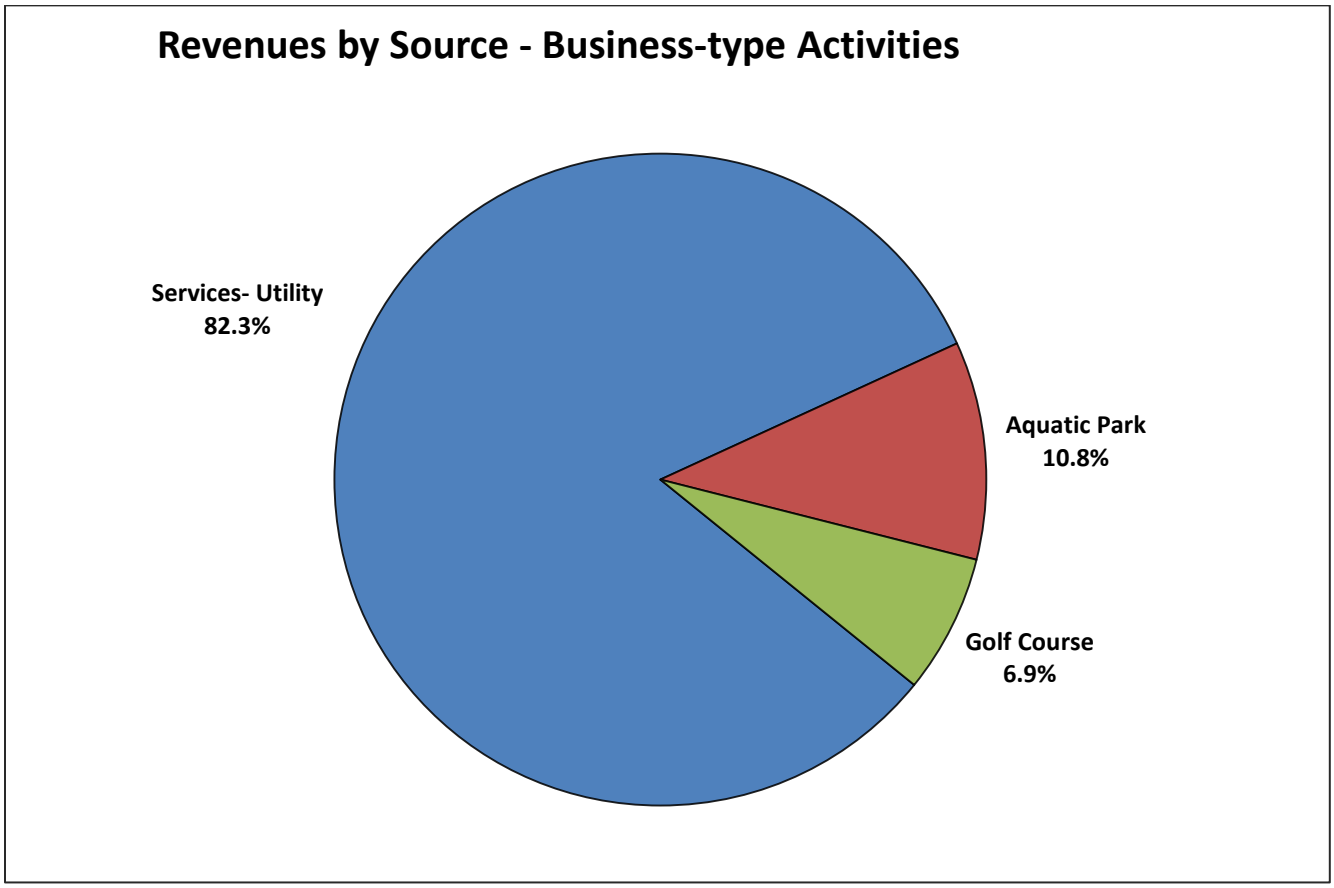
Business-type activities – Business-type activities resulted in a decrease to the City's total net position of $7.4 million in 2016. Overall the Utility operations (before nonoperating revenues (expenses) and transfers to governmental activities) resulted in a decrease of roughly $639,000. Transfers out of the Utility Fund into General Fund totaling $3.8 million, for PILOT fees, indirect fees, and administrative fees, further reduced BTA net position. The overall decrease for Business-type activities related to Utility fund share was roughly $6.0 million, which is inclusive of transfers out totaling $5.185 million.

Aquatic park experienced a decrease in net position (before nonoperating revenues (expenses) and transfers to governmental activities) of $767,000. The Golf course experienced an increase in net position of $91,482.

The Aquatic park and Golf course operations are funded by consumers who patronize the facilities of both of these programs. The Aquatic Park saw a decrease in net position because attendance to the park did not meet expectations for the third consecutive year. Like Calendar 2015, 2016 was a substantially wet year in north Texas, and the prodigious rainfall drove attendance down. The City expects attendance to rebound in 2017. While the Golf Course was also affected by the number of rain days in 2016, the facility had a particular good year with revenues in most categories exceeding the previous year.

Although much of the decrease in net position is directly related to net transfers out of business-type activities to governmental activities for shared costs and capital projects, Utility Fund activities also experienced higher costs and lower revenues thanks to the wet weather. On the whole, the weather demonstrated how sensitive business-type activities are to climate impacts.


Expenses and Program Revenues - Business-Type Activities
$(000's)
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$0
Utility
Aquatic Park
Golf
Expenses
Revenues


Revenues by Source - Business-type Activities
Services- Utility
82.3%
Aquatic Park
10.8%
Golf Course
6.9%

Fund Level Financial Analysis

Governmental Funds. The focus of the City of North Richland Hills' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City's Council itself, or the designated individual delegated the authority to assign resources for use for particular purposes (Council Designated).

At September 30, 2016, the City's governmental funds reported combined fund balances of $63,632,144, a decrease of $12,584,507 in comparison with prior year. Unassigned fund balance of $8,437,828 is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form ($186,770), 2) legally required to be maintained intact or to be used for a particular purpose ($29,963,750), 3) committed for particular purposes ($2,067,819), or 5) assigned for particular purposes ($22,975,977).

The general fund is the chief operating fund of the City. For 2016, the general fund unassigned fund balance was $8,437,828. Total general fund balance decreased $1,765,003 for 2016. Unassigned fund balance represents approximately, 20.4% of total general fund expenditures, while total fund balance represents 23.0% of that same amount. The general fund balance decrease was due primarily to the appropriation of $3,870,000 in reserves for a one-time transfer to a capital project in order for the City to leverage a development opportunity along one of its major highway corridors. This decrease was partially offset by a planned contribution to reserves of $1,000,000 and year end savings.

The General Capital Projects fund decreased governmental fund balance by approximately $13.3 million. The City issued an additional $1,850,000 in new bonds that remained partially unused at year end. Of the fund's $26.3 million in expenditures, a significant portion can be attributed to the construction of the new City Hall project, as well as various street improvements.

General Debt Service fund saw a decrease to fund balance of $322,536. The decrease is associated with planned usage of debt service reserves to offset principal and interest payments for 2016. The debt service fund had accumulated roughly $1.8 million in fund balance by the end of 2014. City Council and City Management planned the draw down to offset transfers out of regular operations for debt service requirements.

Parks and Recreation Development Corporation increased governmental fund balance by $1,044,837. Of the increase, $293,870 came from Rec Centre increased activity. The Gas Development fund contributed an increase to governmental fund balance totaling $661,105, bringing the Gas Development fund balance to $254,296 for 2016.

Proprietary Funds. The proprietary funds provide the same type of information found in the government-wide financial statements.

General Fund Budgetary Highlights

Original budget compared to final budget. During the fiscal year, there were sufficient reasons to revise original estimated revenues and original appropriations. Revenue amendments resulted in a revenue projection increase of $4,800,256. Similarly, appropriations also increased $4,800,256. Increases were made to specific revenue projections, based on known activities and observed collection trends throughout the fiscal year. The City experienced the most new construction activity in the last decade, issuing over 6,500 permits totaling $160 million in construction. As a result, Licenses and Permits revenue increased $688,269. Based on observed collection trends, Property Taxes were also increase just over $120,000. These increases were partially offset by a reduction in Fine & Forfeitures, which were reduced $391,781.

During the fiscal year, the City experienced lower than anticipated citation issuance, caused by unfavorable weather condition and police staffing impacts resulting from injuries and illness.

The area with the most significant change was Other Appropriations, which increased $4,358,684. Of this change, $3,870,000 was appropriated for a one-time transfer to a capital project in order for the City to take advantage of a development opportunity along one of its major highway corridors. The other appropriations were $59,851 for Court Technology projects and $428,833 for prior year encumbrances.

Appropriations were amended to increase one time transfers to capital projects in the amount of $3,924,950. The change in appropriations is also reflective of $428,833 in prior year encumbrances, as well as additional funding for economic development incentives and legal settlements. The adjustments to other departments were minimal.

Final budget compared to actual results. There were no significant negative differences for either revenue or appropriations in comparison to budget. Those that did occur are represented in the following table; each varying from budget by less than 1%:

Revenue source	Estimated Revenues	Actual Revenues	Difference
Franchise taxes	5,185,970	5,183,828	(2,142)
Mixed beverage taxes	140,000	139,062	(938)
Miscellaneous	1,609,294	1,601,013	(8,281)

Expenditures	Estimated Appropriations	Actual Expenses	Difference
Planning and Inspections	1,054,076	1,054,078	(2)
Reserves	1,179,980	1,180,306	(326)

Revenue sources saw negative variances in three categories, all small—mixed beverage taxes ($938 or 0.67%), franchise taxes ($2,142 or 0.04%) and miscellaneous ($8,281 or 0.52%). Fiscal Year 2015/2016 was a particular fruitful year in terms of revenue. Most categories were revised upward and actual collections exceeded projections.

Capital Asset and Debt Administration

Capital assets - At the end of fiscal year 2016, the City had $385.2 million (net of accumulated depreciation) invested in a broad range of capital assets including, but not limited to, police and fire equipment, buildings, park facilities, roads, bridges, aquatic park facilities, golf course assets, and the water and sewer system. The following table provides capital asset balances net of accumulated depreciation for each major category for both governmental and business-type activities for the fiscal years ending September 30, 2016 and 2015.

Capital Assets
(net of Accumulated Depreciation)
Amounts shown in thousands (000's)

	Governmental Activities		Business-Type Activities		Total	Total
	2016	2015	2016	2015	2016	2015
Land & land imp.	$ 79,505	$ 80,844	$ 2,579	$ 2,579	$ 82,084	$ 83,423
Works of art	310	310	-	-	310	310
Buildings & imp.	110,281	42,560	1,718	1,866	111,999	44,426
Other imp.	100,286	98,293	13,786	11,631	114,072	109,924
Utility plant	-	-	47,952	50,312	47,952	50,312
Machinery & equip.	8,712	7,548	1,029	1,314	9,741	8,862
Assets held for resale	15	3,837	-	-	15	3,837
Const. in progress	16,676	74,889	2,370	1,540	19,046	76,429
Total capital assets	$315,785	$308,281	$69,434	$69,242	$ 385,219	$377,523

This year's major additions included:

Description	Amount
Buildings	$13,396,113
Various Street Improvements	4,780,570
Computer, Machinery, and Equipment	3,177,622
Various Park Improvements	3,129,981
Various Drainage Improvements	1,762,878
Various Water/Sewer Repl and Improvements	842,874
Various Vehicles	567,518
Various Land Acquisitions	184,755
Capitalized Interest	64,143

Construction commitments and other limitations affecting availability of fund resources:

The City prepares an annual Capital Improvement Projects budget that assigns specific funds and resources for use to only these projects. Until appropriations are removed these resources are unavailable for general operations or new capital projects.

The City currently has committed resources (displayed as Noncurrent Assets—cash equivalents in the Statement of Net Position) totaling $32,362,703 for both the Governmental and Business-type activities.

These resources will be used to purchase major equipment, construct new buildings, and add new infrastructure such as water and sewer lines and streets.

More information on capital assets can be found in footnote III.C. in the Footnotes to the financial statements.

Debt - At September 30, 2016 and 2015, the City had the following debt outstanding:

Outstanding Debt
Amounts shown in thousands (000's)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	$ 72,330	$ 77,893	$ 2,970	$ 1,812	$ 75,300	$ 79,705
Certificates of obligation	46,330	50,105	14,980	13,670	61,310	63,775
Capital lease	-	-	92	163	92	163
Totals	$118,660	$127,998	$ 18,042	$ 15,645	$136,702	$143,643

In fiscal year 2016, the City issued $5,415,000 in new debt and an additional $3,130,000 in refunding bonds. The presently outstanding general obligation debt of the City is rated "AA2" by Moody's and "AA+" by S&P. As a home rule city, the City is not limited by law in the amount of debt it may issue. The City's Charter provides that general property taxes are limited to $1.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation debt. The City's property tax rate is $0.61 per $100 assessed valuation. The current ratio of tax-supported debt to assessed value of all taxable property is 2.7%. Additional detailed information on long-term debt activity is disclosed in the notes (III-E) to the financial statements.

Pensions and Retiree Health Care

Pensions and retiree health care continue to receive negative media attention as governments around the nation struggle to fund these commitments. The City is committed to providing programs in these areas that are fair to both employees and taxpayers and that can be sustained over the long term.

Effective for fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions, an amendment of GASB 27", created specific reporting requirements for pensions that are different than that used for funding purposes. Both valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the City's pension liabilities to other governments from around the nation. The funding valuation is important as the actuarial methods used include strategies for repaying any unfunded actuarial accrued liabilities combined with the City's history of making those contributions provides insights regarding the City's commitment to and the effectiveness of its funding strategy. Information contained in the financial statements themselves including the first schedule of Required Supplementary Information (RSI), Schedule of Changes in Net Pension Liability and Related Ratios, is based on the reporting valuation. The second schedule in the RSI, Schedule of Contributions, is based on the funding valuation. On a reporting basis, the City's financial statements reflect a Net Pension Liability as of September 30, 2016 of $31,811,590, which is 98% of the City's annual covered payroll of $32,568,873. The net pension liability increased approximately $10.5 million from prior year.

Retiree health care's actuarially accrued liability has been calculated in accordance with GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", to be $54,351,123 as of September 30, 2016, an increase of $1,877,533 from the previous valuation.

Economic Factors and Next Year's Budgets and Rates

The two largest revenue sources for the General Fund are property tax revenues and sales tax receipts. After working through a struggling economy, the City of North Richland Hills is finally experiencing a stabilization. Given this rise, the budget process has predicted a steady growth in property values and sales tax retail base. For budget year 2016-2017, sales tax receipts are anticipated to be roughly 1.5% higher than the 2015-2016 actual. Property tax values are anticipated to continue rising due to steady new construction growth plus the stabilization of property values. The City of North Richland Hills conservatively projects a minimum of 3% growth in property values, though a greater increase is not out of the realm of possibility.

The fiscal year 2016-2017 budget maintains the property tax rate of $0.61/$100. For fiscal year 2016-2017 the tax rate distribution (per $100 assessed value) for the City is as follows:

Tax Rate Distribution Schedule	Tax Rate Distribution
General Fund - Maintenance & Operations	$ 15,254,440
Debt Service Fund - Interest and Sinking	9,674,703
Total distribution of tax proceeds	$ 24,929,143

By policy, the City maintains an unassigned General fund balance of 15% of budgeted expenditures. The use of available fund balance for one-time expenditures eliminates the financial impact of such purchases on future budgets.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of North Richland Hills, Director of Finance, P.O. Box 820609, North Richland Hills, Texas 76182-0609.

BASIC FINANCIAL STATEMENTS

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CITY OF NORTH RICHLAND HILLS, TEXAS
Statement of Net Position
September 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
CURRENT ASSETS			
Cash and cash equivalents	$ 7,339,803	$ 1,239,939	$ 8,579,742
Investments	19,123,777	9,577,891	28,701,668
Receivables, net of allowances:			
Accounts	1,203,807	4,490,924	5,694,731
Property taxes	156,660	-	156,660
Other taxes	3,907,965	-	3,907,965
Interest receivable	115,782	10,912	126,694
Special assessments	76,966	-	76,966
Intergovernmental	1,297,600	406,888	1,704,488
Other	452,802	-	452,802
Prepaids	440,675	44,040	484,715
Inventories, at cost	211,953	461,665	673,618
Internal balances	(3,529,226)	3,529,226	-
Total current assets	30,798,564	19,761,485	50,560,049
NONCURRENT ASSETS			
Cash and cash equivalents	23,829,845	8,532,858	32,362,703
Investments	27,711,695	2,685,183	30,396,878
Capital assets - net:			
Land and nondepreciable land improvements	79,504,462	2,579,137	82,083,599
Buildings and improvements	130,197,775	4,405,053	134,602,828
Improvements other than buildings	199,132,594	27,578,547	226,711,141
Utility plant	-	106,300,002	106,300,002
Machinery and equipment	24,916,547	4,398,399	29,314,946
Artwork and historical treasures	310,208	-	310,208
Assets held for sale	14,612	-	14,612
Construction in progress	16,676,039	2,370,108	19,046,147
Accumulated depreciation	(134,967,216)	(78,197,115)	(213,164,331)
Total capital assets - net	315,785,021	69,434,131	385,219,152
Total noncurrent assets	367,326,561	80,652,172	447,978,733
Total assets	398,125,125	100,413,657	498,538,782
Deferred Outflows of Resources			
Deferred loss on refunding	665,427	118,850	784,277
Pension contributions after measurement date	3,449,001	430,677	3,879,678
Difference in projected and actual earnings on pension plan investments	10,618,973	1,333,197	11,952,170
Total deferred outflows of resources	14,733,401	1,882,724	16,616,125
Liabilities			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	5,741,476	2,707,258	8,448,734
Deposits and other liabilities	4,021,185	125,826	4,147,011
Retainage payable	377,038	34,006	411,044
Compensated absences	532,277	60,269	592,546
Unearned revenue	416,771	94,259	511,030
Accrued interest payable	534,726	84,135	618,861
Bonds payable	10,515,000	1,595,000	12,110,000
Capital lease payable	-	92,154	92,154
Intergovernmental payables	275,184	-	275,184
Total current liabilities	22,413,657	4,792,907	27,206,564
NONCURRENT LIABILITIES			
Customers' deposits	-	2,717,427	2,717,427
Bonds payable	113,440,232	16,836,779	130,277,011
Compensated absences	2,952,680	327,244	3,279,924
Intergovernmental payables	-	1,039,151	1,039,151
Other post employment benefits obligation	11,190,722	1,422,322	12,613,044
Net pension liability	28,272,893	3,538,697	31,811,590
Total noncurrent liabilities	155,856,527	25,881,620	181,738,147
Total liabilities	178,270,184	30,674,527	208,944,711
Deferred Inflows of Resources			
Deferred gain on refunding	154,870	30,173	185,043
Difference in expected and actual experience - pension	2,320,441	290,078	2,610,519
Difference in assumption changes - pension	321,720	40,455	362,175
Total deferred inflows of resources	2,797,031	360,706	3,157,737
Net Position			
Net investment in capital assets	199,625,197	54,387,271	254,012,468
Restricted for:			
Debt service	4,005,996	-	4,005,996
Impact fees restricted for construction	-	3,507,899	3,507,899
Unrestricted	28,160,118	13,365,978	41,526,096
Total net position	$ 231,791,311	$ 71,261,148	$ 303,052,459

The accompanying notes are an integral part of these financial statements.

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CITY OF NORTH RICHLAND HILLS, TEXAS
Statement of Activities
Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Primary Government							
Governmental activities:							
General government	$ 17,381,050	$ 4,158,829	$ 220,807	$ 1,312,729	$ (11,688,685)	$ -	$ (11,688,685)
Public safety	36,372,485	3,486,887	2,943,414	1,720,455	(28,221,729)	-	(28,221,729)
Culture and recreation	12,638,389	3,246,982	172,080	-	(9,219,327)	-	(9,219,327)
Public works	9,569,723	979,812	-	1,542,074	(7,047,837)	-	(7,047,837)
Interest and other fees	4,016,128	-	-	-	(4,016,128)	-	(4,016,128)
Total governmental activities	79,977,775	11,872,510	3,336,301	4,575,258	(60,193,706)	-	(60,193,706)
Business-type activities:							
Utility	31,490,416	30,544,439	-	-	-	(945,977)	(945,977)
Aquatic park	5,006,324	4,005,048	-	-	-	(1,001,276)	(1,001,276)
Golf course	2,465,475	2,552,175	-	-	-	86,700	86,700
Total business-type activities	38,962,215	37,101,662	-	-	-	(1,860,553)	(1,860,553)
Total primary government	$ 118,939,990	$ 48,974,172	$ 3,336,301	$ 4,575,258	$ (60,193,706)	$ (1,860,553)	$ (62,054,259)
General revenue:							
Taxes:							
Property					$ 27,060,196	$ -	$ 27,060,196
Sales					19,324,022	-	19,324,022
Mixed beverage					139,062	-	139,062
Franchise					4,437,141	-	4,437,141
Occupancy					275,072	-	275,072
Unrestricted investment earnings					522,485	127,777	650,262
Miscellaneous					4,077,647	3,116	4,080,763
Transfers between governmental and business-type activities					5,708,025	(5,708,025)	-
Total general revenue and transfers					61,543,650	(5,577,132)	55,966,518
Change in net position					1,349,944	(7,437,685)	(6,087,741)
Net position - beginning of year					230,441,367	78,698,833	309,140,200
Net position - end of year					$ 231,791,311	$ 71,261,148	$ 303,052,459

The accompanying notes are an integral part of these financial statements.

CITY OF NORTH RICHLAND HILLS, TEXAS
Balance Sheet
Governmental Funds
September 30, 2016

	General Fund	General Capital Projects	General Debt Service
Assets			
Cash and cash equivalents	$ 3,072,015	$ -	$ -
Investments	8,587,018	-	-
Receivables, net of allowance			
Accounts	1,101,098	-	-
Property taxes	156,660	-	-
Other taxes receivable	2,071,652	-	-
Interest receivable	7,587	69,695	334
Special assessments receivable	-	76,966	-
Intergovernmental receivables	164,423	1,094,544	-
Other receivables	174,465	9,712	-
Due from other funds	147,764	-	-
Prepaid items	58,393	11,698	4,715
Inventories, at cost	76,419	-	-
Restricted:			
Cash and cash equivalents	-	13,395,663	477,404
Investments	-	13,167,156	378,231
Total assets	$ 15,617,494	$ 27,825,434	$ 860,684
Liabilities			
Accounts payable	$ 1,032,783	$ 1,278,104	$ -
Retainage payable	-	365,632	-
Accrued liabilities	992,432	-	-
Intergovernmental payables	-	-	-
Deposits and other liabilities	2,970,923	729,864	-
Unearned revenue	69,886	-	-
Total liabilities	5,066,024	2,373,600	-
Deferred Inflows of Resources			
Unavailable revenue - ambulance fees	864,355	-	-
Unavailable revenue - property taxes	156,660	-	-
Unavailable revenue - grants	-	-	-
Unavailable revenue - assessments	-	144,604	-
Total deferred inflows of resources	1,021,015	144,604	-

The accompanying notes are an integral part of these financial statements.

Parks and Recreation Development	Gas Development	Tax Increment Finance District #2	Other Governmental	Total Governmental
$ 1,035,984	$ 74,501	$ -	$ 1,350,817	$ 5,533,317
2,458,583	153,656	-	2,813,602	14,012,859
-	-	-	102,709	1,203,807
-	-	-	-	156,660
851,040	-	-	926,546	3,849,238
2,224	5,311	6,239	5,633	97,023
-	-	-	-	76,966
-	-	-	38,633	1,297,600
62,589	206,004	-	32	452,802
-	-	-	-	147,764
10,690	-	-	11,639	97,135
13,216	-	-	-	89,635
601,847	-	4,265,936	3,509,429	22,250,279
59,015	-	7,062,276	3,563,132	24,229,810
$ 5,095,188	$ 439,472	$ 11,334,451	$ 12,322,172	$ 73,494,895
$ 85,617	$ -	$ -	$ 234,474	$ 2,630,978
-	-	-	11,406	377,038
116,743	-	-	142,995	1,252,170
-	-	-	275,184	275,184
35,671	-	-	9	3,736,467
103,710	185,176	-	58,000	416,772
341,741	185,176	-	722,068	8,688,609
-	-	-	-	864,355
-	-	-	-	156,660
-	-	-	8,523	8,523
-	-	-	-	144,604
-	-	-	8,523	1,174,142

(Continued)

CITY OF NORTH RICHLAND HILLS, TEXAS
Balance Sheet
Governmental Funds
September 30, 2016

	General Fund	General Capital Projects	General Debt Service
Fund Balance			
Nonspendable:			
Inventories	76,419	-	-
Prepaids	58,393	11,698	4,715
Restricted:			
Municipal court technology & security	556,245	-	-
Franchise peg fees	192,235	-	-
Record preservation fee	4,000		
Parks and recreation development	-	-	-
Crime control district	-	-	-
Debt service	-	-	855,969
Grants	-	-	-
Promotional & economic development	-	-	-
Public safety	-	-	-
Capital projects (bond funded)	-	4,986,612	-
Committed:			
Donations	-	-	-
Drainage utility	-	-	-
Gas development	-	-	-
Assigned:			
Recreation centre	-	-	-
Capital projects	-	20,308,920	-
Purchases on order	205,335	-	-
Unassigned	8,437,828	-	-
Total fund balance	9,530,455	25,307,230	860,684
Total liabilities, deferred inflows and fund balance	$ 15,617,494	$ 27,825,434	$ 860,684

The accompanying notes are an integral part of these financial statements.

Parks and Recreation Development	Gas Development	Tax Increment Finance District #2	Other Governmental	Total Governmental
13,216	-	-	-	89,635
10,690	-	-	11,639	97,135
-	-	-	-	556,245
-	-	-	-	192,235
				4,000
2,647,682	-	-	-	2,647,682
-	-	-	1,695,421	1,695,421
-	-	-	3,150,027	4,005,996
-	-	-	83,858	83,858
-	-	-	1,577,771	1,577,771
-	-	-	904,271	904,271
111,116	-	11,334,451	1,864,092	18,296,271
-	-	-	639,173	639,173
-	-	-	1,174,350	1,174,350
-	254,296	-	-	254,296
1,617,560	-	-	-	1,617,560
309,554	-	-	-	20,618,474
43,629	-	-	490,979	739,943
-		-	-	8,437,828
4,753,447	254,296	11,334,451	11,591,581	63,632,144
$ 5,095,188	$ 439,472	$ 11,334,451	$ 12,322,172	$ 73,494,895

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CITY OF NORTH RICHLAND HILLS, TEXAS
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Governmental Funds
September 30, 2016

Total fund balances--governmental funds	$ 63,632,144
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities resources (excluding internal service capital assets) are not financial resources and, therefore, are not reported as net position in governmental funds.	311,913,836
Certain litigation liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(270,147)
Certain receivables are not available to pay current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	1,185,387
Internal service funds are used by the City's management for building and vehicle support services, self insurance, and information services. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds, net of amounts included in business type activities, are included with governmental activities in the Statement of Net Position but are not included at the fund level.	8,175,566
Long-term liabilities and related deferred inflows and outflows, including bonds payable, accrued interest payable, compensated absences, other post employment benefits, and net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(152,845,475)
Total net position--governmental activities	$ 231,791,311

The accompanying notes are an integral part of these financial statements.

CITY OF NORTH RICHLAND HILLS, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2016

	General Fund	General Capital Projects	General Debt Service
REVENUES			
Taxes	$ 29,171,972	$ -	$ 8,391,108
License and permits	2,534,768	-	-
Charges for services	2,225,956	6,200	-
Gas utility leases and royalties		-	-
Fines	1,892,511	-	-
Civil citations	-	-	-
Contributions	2,317	1,525,966	-
Special assessments	-	3,755	-
Investment income	101,902	191,040	14,085
Intergovernmental	2,649,961	2,755,590	82,853
Forfeitures	-	-	-
Miscellaneous	138,768	-	-
Total revenues	38,718,155	4,482,551	8,488,046
EXPENDITURES			
General government	9,697,892	300	-
Public safety	24,847,252	-	-
Culture and recreation	3,517,381	-	-
Public works	3,058,996	-	-
Capital outlay:			
General government	14,955	15,309,823	-
Public safety	258,421	1,601,531	-
Culture and recreation	-	589,231	-
Public works	-	8,757,874	-
Debt service:			
Principal retirement	-	-	9,084,794
Interest and fiscal charges	-	-	3,624,832
Total expenditures	41,394,897	26,258,759	12,709,626
Excess (deficiency) of revenues over expenditures	(2,676,742)	(21,776,208)	(4,221,580)
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	1,850,000	-
Issuance of refunding of debt	-	-	975,000
Premium on issuance of debt	-	60,000	93,859
Payment to refunded bond escrow agent	-	-	(1,020,134)
Proceeds from sale of assets	15,246	746,108	-
Transfers in	5,434,248	9,274,080	3,850,319
Transfers out	(4,537,755)	(3,490,307)	-
Total other financing sources (uses)	911,739	8,439,881	3,899,044
Net change in fund balance (deficit)	(1,765,003)	(13,336,327)	(322,536)
Fund balance (deficit) - beginning of year	11,295,458	38,643,557	1,183,220
Fund balance - end of the year	$ 9,530,455	$ 25,307,230	$ 860,684

The accompanying notes are an integral part of these financial statements.

Parks and Recreation Development	Gas Development	Tax Increment Finance District #2	Other Governmental	Total Governmental
$ 4,837,974	$ -	$ -	$ 8,852,882	$ 51,253,936
-	-	-	-	2,534,768
2,914,089	-	-	881,379	6,027,624
-	263,932	-	-	263,932
-	-	-	-	1,892,511
-	-	-	1,322,940	1,322,940
10,826	-	-	256,763	1,795,872
-	-	-	-	3,755
26,544	1,013	75,536	65,560	475,680
-	-	-	633,583	6,121,987
-	-	-	112,118	112,118
188,605	-	-	39,196	366,569
7,978,038	264,945	75,536	12,164,421	72,171,692
-	-	-	266,884	9,965,076
-	-	-	6,430,171	31,277,423
5,896,984	-	-	220,575	9,634,940
-	-	-	30,000	3,088,996
-	10,575	-	-	15,335,353
-	-	-	450,768	2,310,720
148,840	-	-	2,450	740,521
-	-	-	380,133	9,138,007
-	-	-	2,102,934	11,187,728
-	-	-	747,688	4,372,520
6,045,824	10,575	-	10,631,603	97,051,284
1,932,214	254,370	75,536	1,532,818	(24,879,592)
-	-	-	-	1,850,000
-	-	-	955,000	1,930,000
-	-	-	65,066	218,925
-	-	-	(1,005,586)	(2,025,720)
8,227	3,202,805	-	4,668	3,977,054
568,350	-	-	227,374	19,354,371
(1,463,954)	(2,796,070)	-	(721,459)	(13,009,545)
(887,377)	406,735	-	(474,937)	12,295,085
1,044,837	661,105	75,536	1,057,881	(12,584,507)
3,708,610	(406,809)	11,258,915	10,533,700	76,216,651
$ 4,753,447	$ 254,296	$ 11,334,451	$ 11,591,581	$ 63,632,144

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CITY OF NORTH RICHLAND HILLS, TEXAS
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended September 30, 2016

Net change in fund balance--total governmental funds	$	(12,584,507)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		13,087,005
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.		(5,514,275)
Certain deferred inflows of resources were earned in prior year but not yet available for fund level activity. This decrease is due to the deferred inflows becoming available in current year.		(15,366)
Certain long-term liabilities are accrued at the government-wide level but not at the fund level. The current year change in those liabilities is reported as expense in the statement of activities. Expenses recorded for accrual of interest and amortization expense are included in this category.		(2,000,098)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the difference between repayments and proceeds received.		9,543,899
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities (exclusive of capital assets and debt).		(1,166,714)
Change in net position of governmental activities	$	1,349,944

CITY OF NORTH RICHLAND HILLS, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2016

	Enterprise Funds				Governmental Activities -
	Utility	Aquatic Park	Golf	Total Enterprise	Internal Service
ASSETS					
Current					
Cash and cash equivalents	$ 370,662	$ 468,896	$ 400,381	$ 1,239,939	$ 1,806,488
Investments	8,035,210	1,341,746	200,935	9,577,891	5,110,917
Accounts receivable, net of allowance:					
Billed	2,383,293	-	-	2,383,293	-
Unbilled	2,050,499	-	-	2,050,499	-
Other	7,911	39,944	9,277	57,132	58,727
Interest receivable	9,419	1,316	177	10,912	7,513
Intergovernmental receivable	406,888	-	-	406,888	-
Prepaid items	12,300	8,749	22,991	44,040	343,541
Due from other funds	48,003	-	-	48,003	-
Inventories, at cost	351,322	27,262	83,081	461,665	122,319
Total current assets	13,675,507	1,887,913	716,842	16,280,262	7,449,505
Noncurrent					
Restricted assets					
Cash and cash equivalents	8,221,264	138,097	173,497	8,532,858	1,579,566
Investments	2,626,168	59,015	-	2,685,183	3,481,886
Total restricted cash and cash equivalents	10,847,432	197,112	173,497	11,218,041	5,061,452
Capital assets, at cost					
Land	75,366	745,771	1,758,000	2,579,137	-
Building and improvements	1,136,327	2,465,964	802,762	4,405,053	135,455
Other improvements	-	22,287,960	5,290,587	27,578,547	1,047,066
Utility plant in service	106,300,002	-	-	106,300,002	-
Machinery and equipment	1,976,359	760,328	1,661,712	4,398,399	9,868,031
Construction in progress	2,370,108	-	-	2,370,108	-
Accumulated depreciation	(60,666,901)	(11,282,082)	(6,248,132)	(78,197,115)	(7,179,367)
Net capital assets	51,191,261	14,977,941	3,264,929	69,434,131	3,871,185
Total noncurrent assets	62,038,693	15,175,053	3,438,426	80,652,172	8,932,637
Total assets	75,714,200	17,062,966	4,155,268	96,932,434	16,382,142
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	50,014	50,909	17,927	118,850	-
Pension contributions after measurement date	368,901	61,776	-	430,677	292,093
Difference in projected and actual earnings on pension plan investments	1,157,049	176,148	-	1,333,197	841,116
Total deferred outflows of resources	1,575,964	288,833	17,927	1,882,724	1,133,209
LIABILITIES					
Current					
Accounts payable and accrued expenses	2,304,831	252,982	149,445	2,707,258	1,858,329
Retainage payable	34,006	-	-	34,006	-
Other current liabilities	95,754	4,703	25,369	125,826	14,572
Compensated absences	45,081	15,188	-	60,269	44,986
Unearned revenue	-	12,836	81,423	94,259	-
Due to other funds	-	-	195,767	195,767	-
Accrued interest payable	40,829	41,076	2,230	84,135	-
Bonds payable	825,000	670,000	100,000	1,595,000	-
Capital lease payable	-	-	92,154	92,154	-
Total current liabilities	3,345,501	996,785	646,388	4,988,674	1,917,887

CITY OF NORTH RICHLAND HILLS, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2016

	Enterprise Funds				Governmental Activities -
	Utility	Aquatic Park	Golf	Total Enterprise	Internal Service
Noncurrent					
Customer deposits	2,717,427	-	-	2,717,427	-
Bonds payable	9,292,016	7,012,533	532,230	16,836,779	-
Compensated absences	245,931	81,313	-	327,244	248,034
Intergovernmental payables	1,039,151	-	-	1,039,151	-
Other post employment benefits obligation	1,226,506	195,816	-	1,422,322	947,762
Net pension liability	3,044,666	494,031	-	3,538,697	2,337,382
Total noncurrent liabilities	17,565,697	7,783,693	532,230	25,881,620	3,533,178
Total liabilities	20,911,198	8,780,478	1,178,618	30,870,294	5,451,065
DEFERRED INFLOWS OF RESOURCES					
Deferred gain on refunding	-	30,173	-	30,173	-
Difference in expected and actual experience - pension	252,049	38,029	-	290,078	186,378
Difference in assumption changes - pension	35,095	5,360	-	40,455	25,352
Total deferred inflows of resources	287,144	73,562	-	360,706	211,730
NET POSITION					
Net investment in capital assets	44,220,153	7,413,165	2,753,953	54,387,271	3,871,185
Impact fees restricted for construction	3,507,899	-	-	3,507,899	-
Unrestricted (deficit)	8,363,770	1,084,594	240,624	9,688,988	7,981,371
Total net position	$ 56,091,822	$ 8,497,759	$ 2,994,577	$ 67,584,158	$ 11,852,556

Reconciliation to business-type activities:

Some amounts reported for business-type activities in the Statement of Net Position are different because certain internal balances are included with business-type activities.	3,676,990
Net Position of business-type activities	$ 71,261,148

CITY OF NORTH RICHLAND HILLS, TEXAS
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2016

	Enterprise Funds				Governmental Activities -
	Utility	Aquatic Park	Golf	Total Enterprise	Internal Service
OPERATING REVENUES					
Charges for services:					
Water and sewer service	$ 29,330,845	$ -	$ -	$ 29,330,845	$ -
Service charges	1,002,141	-	-	1,002,141	-
Inspection fees	98,137	-	-	98,137	-
Golf course fees and charges	-	-	2,551,424	2,551,424	-
Aquatic park admissions and services	-	3,856,490	-	3,856,490	-
Other intergovernmental	111,265	-	-	111,265	-
Risk management	-	-	-	-	10,415,893
Facilities and fleet management	-	-	-	-	6,722,445
Information systems management	-	-	-	-	2,804,917
Miscellaneous revenues	2,051	148,558	751	151,360	231,474
Total operating revenues	30,544,439	4,005,048	2,552,175	37,101,662	20,174,729
OPERATING EXPENSES					
Claims	-	-	-	-	11,237,795
Contractual services	1,827,856	1,122,735	-	2,950,591	2,103,367
Water purchases	10,050,265	-	-	10,050,265	-
Wastewater treatment services	5,721,262	-	-	5,721,262	-
Personnel services	5,505,015	1,749,983	-	7,254,998	3,892,224
Golf course sales and service	-	-	2,103,821	2,103,821	-
Repairs and maintenance	4,261,622	160,020	-	4,421,642	1,663,385
Supplies	410,294	916,971	-	1,327,265	1,104,256
Depreciation	3,406,636	821,997	335,925	4,564,558	881,809
Total operating expenses	31,182,950	4,771,706	2,439,746	38,394,402	20,882,836
Operating income (loss)	(638,511)	(766,658)	112,429	(1,292,740)	(708,107)
NONOPERATING REVENUES (EXPENSES)					
Investment income	114,847	10,148	2,782	127,777	77,601
Interest and fiscal charges	(307,466)	(234,618)	(25,729)	(567,813)	-
Other income	18,563	-	2,000	20,563	153,145
Gain (loss) on disposal of assets	672	(18,119)	-	(17,447)	(52,552)
Total nonoperating revenues (expenses)	(173,384)	(242,589)	(20,947)	(436,920)	178,194
Income (loss) before transfers	(811,895)	(1,009,247)	91,482	(1,729,660)	(529,913)
TRANSFERS					
Transfers in	-	-	-	-	300,703
Transfers out	(5,185,264)	(239,944)	-	(5,425,208)	(1,220,321)
Total transfers - net	(5,185,264)	(239,944)	-	(5,425,208)	(919,618)
Change in net position	(5,997,159)	(1,249,191)	91,482	(7,154,868)	(1,449,531)
Net position - beginning of year	62,088,981	9,746,950	2,903,095	74,739,026	13,302,087
Net position - end of year	$ 56,091,822	$ 8,497,759	$ 2,994,577	$ 67,584,158	$ 11,852,556

Reconciliation of Change in Net Position - Business-type Activities:	
Change in net position of enterprise funds	(7,154,868)
Some amounts reported for business-type activities in the Statement of Activities are different because the net expenditure of certain internal revenue service funds is reported with business-type activities	(282,817)
Change in net position of business-type activities	$ (7,437,685)

CITY OF NORTH RICHLAND HILLS, TEXAS
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2016

	Enterprise Funds				Governmental Activities -
	Utility	Aquatic Park	Golf	Totals	Internal Service
Cash flows from operating activities:					
Receipts from customers	$ 30,336,074	$ 4,070,934	$ 2,560,475	$ 36,967,483	$ -
Receipts from interfund services provided	-	-	-	-	19,943,255
Other operating revenue	624,400	149,094	17,062	790,556	196,328
Payments to suppliers	(23,331,237)	(2,020,302)	(2,100,221)	(27,451,760)	(15,815,498)
Payments to employees	(5,153,469)	(1,678,076)	-	(6,831,545)	(3,572,375)
Net cash provided by operating activities	2,475,768	521,650	477,316	3,474,734	751,710
Cash flows from noncapital financing activities:					
Insurance recovery proceeds	18,563	-	2,000	20,563	153,145
Transfers from other funds	-	-	-	-	300,703
Transfers to other funds	(5,185,264)	(239,944)	-	(5,425,208)	(1,220,321)
Payments received on advances to other funds	3,382,307	-	-	3,382,307	-
Payments made on advances from other funds	-	-	(301,828)	(301,828)	-
Net cash provided by (used for) noncapital and related financing activities	(1,784,394)	(239,944)	(299,828)	(2,324,166)	(766,473)
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(1,715,658)	(2,866,255)	(67,298)	(4,649,211)	(911,084)
Proceeds from capital debt	1,947,690	3,180,624	270,250	5,398,564	-
Principal paid on capital debt	(1,537,757)	(768,530)	(413,333)	(2,719,620)	-
Interest paid on capital debt	(347,075)	(226,694)	(39,909)	(613,678)	-
Proceeds from sale of capital assets	672	-	-	672	45,140
Net cash used for capital and related financing activities	(1,652,128)	(680,855)	(250,290)	(2,583,273)	(865,944)
Cash flows from investing activities:					
Purchase of investments	(11,661,141)	(1,798,820)	(231,606)	(13,691,567)	(9,419,260)
Proceeds from the sale of investments	11,630,214	1,725,900	353,026	13,709,140	9,616,665
Interest and dividends received	122,341	11,700	2,927	136,968	84,202
Net cash provided by (used for) investing activities	91,414	(61,220)	124,347	154,541	281,607
Net increase (decrease) in cash and cash equivalents	(869,340)	(460,369)	51,545	(1,278,164)	(599,100)
Cash and cash equivalents beginning of year	9,461,266	1,067,362	522,333	11,050,961	3,985,154
Cash and cash equivalents end of year	$ 8,591,926	$ 606,993	$ 573,878	$ 9,772,797	$ 3,386,054
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$ (638,511)	$ (766,658)	$ 112,429	$ (1,292,740)	$ (708,107)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	3,406,636	821,997	335,925	4,564,558	881,809
Other income	-	-	-	-	237
(Increase) decrease in accounts receivable	(95,049)	214,444	9,051	128,446	(34,246)
(Increase) decrease in intergovernmental receivables	294,658	-	-	294,658	-
(Increase) decrease in inventories	(139,119)	(5,332)	(13,695)	(158,146)	(808)
(Increase) decrease in prepaid items	10,068	(2,931)	(8,814)	(1,677)	9,805
Increase (decrease) in accounts payable	(973,962)	175,390	22,359	(776,213)	284,071
Increase (decrease) in customer deposits payable	146,561	-	-	146,561	-
Increase (decrease) in compensating absences	(8,177)	15,390	-	7,213	34,009
Increase (decrease) in other post employment benefits	177,128	28,628	-	205,756	132,985
Increase (decrease) in intergovernmental payable	69,865	-	-	69,865	-
Increase (decrease) in other liabilities	2,642	(706)	(3,103)	(1,167)	-
Increase (decrease) in net pension liability	182,595	27,889	-	210,484	131,907
Increase (decrease) in unearned revenues	-	536	16,311	16,847	(900)
Increase (decrease) in accrued liabilities	40,433	13,003	6,853	60,289	20,948
Total adjustments	3,114,279	1,288,308	364,887	4,767,474	1,459,817
Net cash provided by operating activities	$ 2,475,768	$ 521,650	$ 477,316	$ 3,474,734	$ 751,710
Noncash from capital and related financing activities:					
Capitalized interest	15,119	49,024	-	64,143	-

CITY OF NORTH RICHLAND HILLS, TEXAS
Statement of Net Position
Fiduciary Funds
September 30, 2016

	OPEB Trust
ASSETS	
Investments, at fair value	
Mutual funds	$ 1,523,835
Total assets	1,523,835
NET POSITION	
Restricted for other post employment benefits	1,523,835
Total net position	$ 1,523,835

CITY OF NORTH RICHLAND HILLS, TEXAS
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2016

	OPEB Trust
ADDITIONS	
Contributions:	
Employer	$ 1,717,887
Investment earnings	114,825
Total additions	1,832,712
DEDUCTIONS	
Benefit payments	1,617,887
Investment expense	7,384
Total deductions	1,625,271
Change in net position	207,441
Net position - beginning	1,316,394
Net position - ending	$ 1,523,835

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CITY OF NORTH RICHLAND HILLS, TEXAS
Notes to Basic Financial Statements
September 30, 2016

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Richland Hills, Texas (the "City") Home Rule Charter was adopted by the voters at an election held on November 3, 1964. The City operates under a Council-Manager form of government. The City provides a full range of services including police and fire protection; municipal court operations; the construction and maintenance of streets and infrastructure; parks, library, and recreational activities including tennis center operations; neighborhood services activities; planning and inspections; and the operations of a water and wastewater system, a golf course, and a public water park. A private contractor, through a franchise agreement, provides solid waste collection and disposal services for the City.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

A. Reporting Entity

As required by GAAP, these basic financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. The blended component units, although legally separate entities, are, in substance, part of the primary government's operations. As such, data from these units is combined with data of the primary government. Discretely presented component units are entities that are legally separate from the City, but for which the City is financially accountable or whose relationships with the City are such that exclusion would be misleading or incomplete.

Blended Component Units - The North Richland Hills Parks and Recreation Facilities Development Corporation ("PRD") is used to account for the accumulation of resources to build and improve City parks and recreational facilities and fund economic development activities. The North Richland Hills Crime Control and Prevention District ("CCD") is used to account for the accumulation and use of half-cent sales tax proceeds dedicated for crime reduction programs. The PRD and CCD are reported as special revenue funds of the primary government. The Boards of Directors of both component units are substantially the same as the City Council.

Tax Increment Financing District No. 1 ("TIF #1") was created to fund drainage improvements that would alleviate flooding problems, reduce property damage associated with the flooding, and stimulate development within the zone of TIF #1. In 2008, TIF #1 was expanded to provide funding for intersection improvements and the burial of utility lines to enhance economic revitalization in the area. Tax Increment Financing District #2 ("TIF #2") was created to provide funding for public improvements that would benefit the participants in and citizens of TIF #2. These TIF's meet the criteria for blending as the City Council and TIF Boards are substantially the same. In addition, although other entities are involved in the TIF, the primary financial benefit or burden relationship is between the City and the TIF's, and management of the City has day-to-day operational responsibility for the activities of the TIF.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (*i.e.*, the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its blended component units. For the most part, the effect of interfund activity has been eliminated from these statements. However, interfund services provided and used are not eliminated in the consolidation process. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are designated to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources traditionally associated with governments which are not required to be accounted for in another fund. Major functions financed by the General Fund include general government, public safety, culture and recreation, and public works. Financing is provided from taxes (primarily property, sales, and franchise), licenses and permits, fines, and investment income.

The General Capital Projects Fund is used to account for financial resources used for the acquisition and construction of major street, drainage, and municipal facilities capital assets.

The General Debt Service Fund accounts for the accumulation of resources for the payment of principal, interest, and related charges on long-term general obligation debt of governmental funds. Financing is provided primarily by a specific annual property tax levy.

The Parks and Recreation Facilities Development Fund accounts for the accumulation and use of resources to build and improve City parks and recreation facilities as well as economic development projects. The City has permanently designated this fund as a major governmental fund.

The Gas Development Fund accounts for the accumulation and expenditures of resources from gas drilling and exploration on City owned property. The City has permanently designated this fund as a major governmental fund.

The Tax Increment Financing District #2 provides funding for public improvements that would benefit the participants in and citizens of TIF #2 as well as others in the Metroplex area.

The City reports the following proprietary funds:

The Utility Fund (a major fund) accounts for the distribution of water, transportation of wastewater, and solid waste removal services provided to the residents of the City. All activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, financing and debt service, and billing and collections.

The Aquatic Park Fund (a major fund) accounts for the operation of NRH_2O, the City's public water park. All activities necessary to operate the park are accounted for in the fund, including, but not limited to, administration, park operations, park maintenance, and financing and debt service.

The Golf Course Fund accounts for the operations of Iron Horse Golf Course, the City's public golf course. All activities necessary to operate the course are accounted for in the fund, including, but not limited to, administration, operations, course maintenance, and financing and debt service. The Golf Course in the only non-major proprietary fund.

Internal Service Funds account for building maintenance services, fleet management, computer and telephone service, as well as insurance coverage provided to other departments of the City, on a cost reimbursement basis.

The City also reports one fiduciary fund. The OPEB Trust Fund accounts for the activities of the long term funding of the City's other post-employment benefits provided. These funds are contributed by the City on an annual basis to help offset future costs and outflows for post-employment benefits payments.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance

Deposits and investments

Deposits consist of cash and cash equivalents. Substantially all operating deposits and investments are maintained in pooled deposits and investment accounts. Interest income relating to pooled deposits and investments is allocated monthly to the participating individual funds based on each fund's pro-rata share of total pooled deposits and investments.

Investments consist of (1) investments in public fund investment pools, (2) short-term investments that mature in 12 months or less from the time of purchase and (3) investments that mature in greater than 12 months from the time of purchase.

Other than investment pools, most of the City's investments are long-term (i.e., at the time of purchase, the maturity equals or exceeds one year) and, accordingly, the investments are carried at fair value. The government investment pools, TexSTAR, LOGIC, TexasTERM, and TexPool, operate in accordance with state laws and regulations. Investments in external pools are carried at either net asset value or amortized cost, as determined by each pool's individual investment valuation method and whether there is a readily determinable fair value of the pool as of the City's fiscal year end. In instances where pools transact at amortized cost, such as TexPool, no readily determinable fair value is deemed available.

Legal provisions generally permit the City to invest in certificates of deposit, repurchase agreements, public funds investment pools, direct obligations of the United States of America or its subdivisions, and state and local government securities. During the year ended September 30, 2016, the City did not own any types of securities other than those permitted by statute.

For the purposes of presenting the statement of cash flows for Proprietary Funds, cash and cash equivalents are defined as cash and the funds' investment in the City's pooled accounts which provide cash-equivalent liquidity (Note III).

Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real property and certain personal property located in the City. Tax liens attach as of February 1. Taxes are due upon receipt of the tax bill.

Property taxes are limited by the Texas Constitution to $2.50 per $100 of assessed valuation and by City Charter to $1.50 per $100 assessed valuation. The combined tax rate to finance general governmental service and debt service for the year ended September 30, 2016 was $.61 per $100 of assessed valuation.

Inventories and prepaid items

In accordance with the consumption method of accounting, both inventories and prepaid items of governmental funds are recorded as expenditures when consumed rather than when purchased.

All inventories are valued at cost using the first-in/first-out ("FIFO") method. Inventories are offset by a fund balance reserve account in applicable governmental funds to indicate the inventory values are not available for appropriation and are not expendable financial resources.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets

Certain resources set aside for the repayment of outstanding City debt are classified as restricted assets on the balance sheet because their use is limited. The "debt service reserve funds" are used to segregate resources accumulated for outstanding debt. The "construction funds" account includes, but is not limited to, unspent bond proceeds that are limited as to use for financing the acquisition or construction of capital assets.

In the Utility Fund, impact fees are a restriction imposed by the City's governing body for the purpose of collection of funds from developers for specific utility infrastructure improvement projects. State of Texas Statutes grant this authority to the City Council which upon their approval is valid for a five year period. Every five years, the impact fee plan expires and a new program must be developed and submitted to Council for approval.

Also designated in the Utility Fund are customer deposits. This restriction is contractually supported. The City is not allowed to use the funds unless it is to refund back to the customer for good standing account history or that they default upon the terms of the agreement.

Assets have also been restricted by management for the following:

The Crime Control and Prevention District (Special Revenue) Fund contains assets restricted for transition. The "transition" term is used to identify funds that are covered by Texas Sales Tax laws and has been restricted to offset future unforeseen circumstances (i.e. dissolution of the fund due to citizens vote to end operations of the district). If indeed the half-cent sales tax funding CCD activities is discontinued, the restricted assets will be used to fund those activities until an alternate funding source can be identified (i.e., during the transition period).

The Information Technology (Internal Service) Fund contains assets used for future system improvements. The intended purpose is to fund major computer system software and hardware system replacements and upgrades.

The Facilities and Construction Services and Fleet Services (Internal Service) Funds contain assets used for building and equipment maintenance and replacement. The building reserve is used to accumulate funds for the implementation of the multi-year plan. Equipment reserve is used to accumulate funds for the replacement of vehicles and heavy equipment.

The Self-Insurance (Internal Service) Fund contains assets used for future insurance claims. Funds will be accumulated until needed to cover these costs of excessive claims or until management has determined sufficient funds have been accumulated to cover future claims.

Future claims of the Self-Insurance Internal Service Fund are funds set aside and obligated for medical, dental, prescription, or other risk payables that could arise in future fiscal periods. This fund has a very proactive approach to plan for future claims and ensure that funding is available to pay when and if the need occurs.

Capital assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, drainage facilities, parks and related improvements, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund level financial statements. Capital assets are defined by the City as assets with an initial, individual cost of at least $5,000 and an estimated useful life in excess of one year. Assets purchased or constructed are recorded at historical cost when available or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government are capitalized at the following thresholds and are depreciated using the straight-line method over the following estimated useful lives:

Asset Category	Useful Life	Capitalization Threshold
Land		$ 100,000
Buildings and improvements	30 years	100,000
Other improvements	30 years	100,000
Water, sewer system and other infrastructure	33 years	100,000
Furniture and fixtures, and certain machinery and equipment	10 years	5,000
Firetrucks and ambulances	20 years	25,000
Other machinery and equipment including vehicles	3-6 years	5,000-25,000

**Range is due to different machinery and equipment having different levels of capitalization thresholds within fiscal policy*

Compensated absences

City employees are granted vacation leave in varying amounts depending on length of service. Sick leave is also granted to employees after six months of service. In the event of termination after one or more years of service, an employee is paid for all accumulated unused vacation. No reimbursement is made for unused accumulated sick leave upon termination of employment, except upon retirement. Upon retirement, an employee may convert up to six weeks of accrued sick leave to vacation. Sick pay is recorded when taken. All vacation pay is accrued as vested and included in accrued liabilities in the government-wide and proprietary fund financial statements. Accrued vacation pay, including converted sick leave, that is expected to be liquidated within one year, is reported as a short-term liability. The remainder of the liability is reflected as long-term.

Historically the General Fund has liquidated the majority of compensating absences liability.

Long-term obligations

In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts and losses on bond refundings are deferred and amortized over the life of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of liability) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension plan investments – This difference is deferred and amortized over a closed five-year period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction of expense) until that time. The City has the following items that qualify for reporting in this category.

- Deferred gain on refunding – A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining service life of all members determined as of the beginning of the measurement period.
- Difference in assumption changes – These changes are deferred and recognized over the estimated average remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees) determined as of the beginning of the measurement period.

Governmental Fund level statements have deferred inflows from the following sources: Ambulance $864,355, property taxes $156,660, grants $8,523 and assessments $144,604. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund balance

Fund balances are reported within one of the fund balance categories list below.

1. *Nonspendable*, such as fund balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

2. *Restricted* fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's Council (the city's highest level of authority),
4. *Assigned* fund balance classification are intended to be identified and authorized for specific purposes by the City's authorized representative by the Council (City Manager) and for other purposes that cannot be classified as restricted or committed,
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Committed Fund Balance Policy

Fund balances are committed by the City Council under specific resolutions or ordinances which were adopted to restrict the utilization of special revenue sources. Once the resolutions or ordinances are adopted, the limitation imposed remains in place until a similar action is taken (the adoption of another resolution or ordinance) to remove or revise the limitation.

Fund balance reporting as a result of resolutions and ordinances passed by City Council:

- General Donations or contributions to the City that do not have specific goals designated by the donor are committed by council resolution to keep the original general intent for which they were received.
- Drainage Utility Fees are to be utilized for the infrastructure or debt service for such infrastructure.
- Gas Development funds are used for specific projects for various reasons such as deemed necessary by city management.

Assigned Fund Balance Policy

Approved by the fund balance policy, the City's Assigned Fund Balance is under the direction of the City Manager, (as authorized by the City Council).

- Savings incentive program represent funds assigned to encourage departments to implement cost savings measures whereby any savings would be accumulated for use at a later date,
- Retirement stabilization are funds for anticipated future increases in TMRS funding requirements,
- Capital projects are proceeds assigned by management through budget appropriations to fund special capital projects not funded through bond proceeds,
- Recreation Centre assignment is net operations for the program for future infrastructure maintenance and operational needs,
- Encumbrances are purchases procured in the current fiscal year, but will not be delivered or services accomplished until the next fiscal year. This assignment of prior year encumbrances insures resources are available to complete the purchases.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance depleted before using any of the components of unrestricted fund balance. Further when the components of unrestricted fund balance can be used for the same purposes, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Minimum Fund Balance

At the end of each fiscal year, the General Fund should maintain a minimum unassigned fund balance that is no less than 15% of the subsequent year's General Fund Appropriated Expenditure budget. This target amount has been established in order to provide a reasonable level of assurance that the City's day-to-day operations will be able to continue even if circumstances occur where revenues are insufficient to cover expenditures.

II. RECONCILIATION OF GOVERNMENT-WIDE AND GOVERNMENTAL FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position.

One element of that reconciliation explains that "capital assets used in governmental activities (excluding internal service capital assets) are not financial resources and, therefore, are not reported as assets in governmental funds." The details of the $311,913,836 difference are as follows:

Capital assets, net of depreciation (internal service funds excluded)	$	295,237,797
Construction in progress (internal service funds excluded)		16,676,039
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	$	311,913,836

The second element of that reconciliation explains that "certain litigation liabilities are not due and payable in the current period" are included with governmental activities in the Statement of Net Position but are not included at the fund level." The details of the ($270,147) difference are as follows:

Litigation payable	$	(270,147)
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	$	(270,147)

Another element of that reconciliation explains that "certain receivables are not available to pay current-period expenditures and, therefore, are deferred in the funds." The details of the $1,185,387 difference are as follows:

Interest earned but not available within 60 days for Governmental Activities	$	11,245
Unavailable revenue		1,174,142
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	$	1,185,387

The fourth element of that reconciliation explains that "the assets and liabilities of the internal service funds are included with governmental activities in the Statement of Net Position but are not included at the fund level." The details of the $8,175,566 difference are as follows:

Net position, internal service funds combined	$	11,852,556
Amount allocated to business-type activities		(3,676,990)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	$	8,175,566

The last element of that reconciliation explains that "long-term liabilities (excluding internal service funds), including bonds payable and related deferred inflows and outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds." The details of the $(152,845,475) difference are as follows:

Bonds payable	$	(118,660,000)
Unamortized premiums/discounts on bonds payable		(5,295,232)
Deferred gain on refunding		(154,870)
Deferred loss on refunding		665,427
Accrued interest payable		(534,726)
Compensated absences		(3,191,937)
Other post employment benefits obligation		(10,242,960)
Net pension liability		(25,935,511)
Deferred difference in projected and actual earnings on pension assets		9,777,857
Deferred pension contributions		3,156,908
Deferred difference in expected and actual experience		(2,134,063)
Deferred difference in assumption changes		(296,368)
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	$	(152,845,475)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balance – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $13,087,005 difference are as follows:

Capital outlay - assets acquisitions	$	22,360,757
Depreciation expense		(9,273,752)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$	13,087,005

The next element of that reconciliation explains that "the net effects of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position." The details of this ($5,514,275) difference are as follows:

Asset retirements and impairments, net of proceeds	$	(5,514,275)
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	$	(5,514,275)

The next element of that reconciliation explains that "certain deferred inflows of resources were earned in prior year." The details of this ($15,366) difference are as follows:

Investment income not available for current financial resources	$	(30,797)
Revenue that is earned but not received		15,431
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	$	(15,366)

The next element of that reconciliation explains that "certain long-term liabilities are accrued at the government-wide level but not at the fund level." The details of this ($2,000,098) difference are as follows: (Excludes Internal Service Funds)

Changes in:		
Accrued interest/interest expense	$	27,017
Litigation payable		1,194,855
Other post employment benefits		(1,508,266)
Net pension liability		(1,541,980)
Compensated absences		(171,724)
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	$	(2,000,098)

Another element of that reconciliation states that "bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the difference between repayments and proceeds received." The details of this $9,543,899 difference are as follows: (Excludes Internal Service Funds)

Debt issued or incurred:		
Refunding of bonds	$	(1,930,000)
Certificates of obligation bonds		(1,850,000)
Principal repayments:		
General obligation bonds		11,187,728
General Obligation bonds - refunding		2,025,720
Premium on bond sale		(218,925)
Current year amortization of bond premium, discount, deferred inflows and outflows (gain and loss)		329,376
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$	9,543,899

Another element of that reconciliation states that "the net revenue (expense) of internal service funds is reported with governmental activities." The details of the $(1,166,714) difference are as follows:

Change in net position - internal service funds combined	$	(1,449,531)
Income (Expenses) reflected in business-type activities		282,817
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$	(1,166,714)

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits - The City maintains an entity wide cash and investment pool that is available for use by all funds. Each fund's portion of the pool is displayed on the statement of net position as "Cash, Cash Equivalents and Investments".

The investment policy of the City is governed by State statute and a Council adopted City Investment Policy. Major controls stipulated in the Investment Policy include: depository limitations require Federal Deposit Insurance Corporation ("FDIC") insurance or full 100 percent collateralization; depositories are limited to Texas banking institutions; all collateral for repurchase agreements and deposits held by independent third party trustees; all settlement is delivery versus payment; all authorized investments are defined; and diversification guidelines are set as are maximum maturity and maximum weighted average maturity.

State statutes require all time and demand deposits to be fully insured or collateralized. At September 30, 2016, the carrying amount of the City's demand deposits were $9,366,097. Accounts with under $250,000 balance of either an interest bearing account or non-interest bearing account are covered by FDIC deposit insurance. The total cash held in demand deposits has been fully collaterized and meets statutes' requirements.

As of September 30, 2016, the City's investment pool portfolio (excluding bank deposits) are held by the City's custodian in the City's name under written agreements. The City's custodian is JP Morgan Chase.

The City's investment pool, excluding fiduciary funds, held the following cash, cash equivalents, and investments as of September 30, 2016:

Cash on hand (petty cash, cashier tills)	$ 41,482
Demand Deposit Accounts	9,366,097
Investment Pools	31,534,867
Commercial Paper	4,087,252
US Treasury Notes	14,445,069
U.S. Agencies and Government Sponsored Agencies	40,566,223
Total deposits and investments	$ 100,040,990

Investments - Weighted average maturity ("WAM") of the portfolio by investment type categories reflected in the following table is stated in days. Investment type acronyms displayed in the following table are defined as follows: FHLB – Federal Home Loan Bank, FHLMC – Federal Home Loan Mortgage Corporation, FMDN – Federal National Mortgage Discounted Notes, FNMA – Federal National Mortgage Association, and USTR – U.S. Treasury Notes. The rating agency acronym is defined as follows: S&P – Standard and Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. Additional information about the rating agency or the significance of the ratings provided may be obtained from the agency's web site.

Legal provisions generally permit the City to invest in certificates of deposit, repurchase agreements, public funds investment pools, direct obligations of the United States of America or its subdivisions, and state and local government securities. Because the City is responsible for the investment portfolio of its blended component units, the City's investment practices and policies disclosed herein apply equally to its component units. During the year ended September 30, 2016, the City did not own any types of securities other than those permitted by statute.

The government investment pool, TexPool, is carried at amortized cost. LOGIC, TexSTAR, and TexasTERM are carried at net asset value.

TexPool falls under the purview of the Texas Comptroller of Public Accounts ("Comptroller") who is responsible for oversight of TexPool operations. LOGIC and TexSTAR have established a governing board at least partially comprised of pool participants. TexasTERM is directed by an Advisory Board of experienced local government officials, finance directors and treasurers and is managed by a team of industry leaders that are focused on providing professional investment services to investors. Duties of the governing boards include oversight responsibility. The Comptroller and the governing boards exercise oversight of the pools' activities via daily, weekly, and monthly reporting requirements. Additionally, per the requirements of the Public Funds Investment Act ("PFIA"), all pools will maintain an AAA or equivalent rating from at least one nationally recognized rating agency. The PFIA also requires an annual examination of the financial statements of the pools by an independent certified public accounting firm.

As of September 30, 2016, the City held the following investments:

Investment Type	WAM	Rating	Rating Agency	Carrying Value
Investment pools:				
TexPool	20-Feb-00	AAAm	S&P	$ 18,789,608
LOGIC	28-Feb-00	AAAm	S&P	1,740,171
TexSTAR	19-Feb-00	AAAm	S&P	1,553,614
Texas Term	16-Feb-00	AAAm	S&P	9,451,474
Total pools				$ 31,534,867
Commercial Paper:	5-Jan-00	NR	NR	4,087,252
Total commercial paper				$ 4,087,252
USTR	16-Oct-01	AA+	S&P	14,445,069
Total U.S. Treasuries				$ 14,445,069
U.S. Agencies and Government Sponsored Entities:				
FHLB	25-Feb-00	AA+	S&P	$ 16,181,061
FHLMC	12-Feb-00	AA+	S&P	3,542,305
FMDN	25-Jul-00	AA+	S&P	6,374,119
FNMA	1-Mar-00	AA+	S&P	14,468,738
Total U.S. Agencies & Government Sponsored Entities				$ 40,566,223
Total Portfolio				$ 90,633,411

In accordance with GASB Statement No. 72, *"Fair Value Measurement and Application,"* the City records investments at fair value. However, for participating interest-earning investments contracts with maturities of one year or less at time of purchase, the City reports these investments at amortized cost.

Interest Rate Risk – Interest rate risk is the potential for a decline in market value due to rising interest rates. In accordance with its formally-adopted investment policy, the City manages its exposure to declines in fair market value by limiting the portfolio's weighted average maturity to a maximum of 730 days. The City also employs an investment maturity laddering structure to stagger investment maturities at various monthly rungs on the ladder. This laddering structure provides the City with the ability to reinvest the proceeds from the maturities in higher-yielding securities given the proceeds are not required to meet immediate cash flow needs.

Custodial Credit Risk – Custodial credit risk is the risk that a government will not be able to recover (a) deposits if the depository financial institution fails or (b) the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. To minimize such risk, the City requires collateralization of most deposits in excess of coverage, utilizes the delivery vs. payment method for investment purchases, and contracts with a third-party safekeeping agent.

Per the terms of its depository agreement, for bank deposits in excess of the coverage provided by the FDIC, the City requires the depository bank to pledge to the City securities (collateral) equal to the following percentages, as applicable, to the largest balances the City maintains in the Bank.

Maturity of Collateral	U.S. Treasuries	Other Securities
1 year or less	101%	102%
1 year to 5 years	102%	105%
Over 5 years	103%	110%

The percentages as shown reflect the requirement based on market value of the pledged securities.

The City's depository bank also acts as its safekeeping agent per the terms of the depository contract. City policy dictates that all securities rendered for payment will be sent delivery vs. payment meaning that the funds required for purchase of a security will not be released until the safekeeping agent has received the security purchased in the City's name. No broker holds City funds. The City does not purchase securities from its depository bank or any subsidiary banks of the same bank holding company.

Credit Risk – The Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In order to minimize credit risk, the City limits investments to those rated as to investment quality of not less than "A" or its equivalent by a nationally recognized rating firm. Diversification of the portfolio is also employed to manage credit risk. The investment policy limits the percentage of the portfolio that may be invested in any specific type of security. Ratings for the City's investments and the percentage of the total portfolio of each investment type held at the end of year can be found on the first table in this section.

OPEB Trust Fund Investments - The City has contracted with Public Agency Retirement Services (PARS) for trust administration and Union Bank serves as the trustee for all investments of the OPEB Trust Fund. The OPEB Plan does not have a formal policy for custodial credit risk. As of September 30, 2016 all investments are registered in the name of the OPEB Plan's custodian established through a master trust custodial agreement. The OPEB Trust Fund investments are carried at fair value of $1,523,835 as of September 30, 2016. The Trust's funds are invested in a mutual fund that is invested in equity, money market and fixed income mutual funds. The investment strategy of the OPEB Trust Fund is to provide current income with capital appreciation. The credit rating and weighted average maturity is not available for the pool.

Interest Rate Risk – Interest rate risk is the potential for a decline in market value due to rising interest rates. In accordance with its formally-adopted investment policy, the Trust committee has chosen to use moderate risk levels. Exposure to market fluctuations can occur, and the investment strategy is reviewed annually to insure that exposure to these market fluctuations is appropriate.

Custodial Credit Risk – Custodial credit risk is the risk that a government will not be able to recover (a) deposits if the depository financial institution fails or (b) the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. The Trust is not covered by any collaterization agreement or FDIC insurance.

Credit Risk – The Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The risk tolerance chosen by the Trust is moderate. The mutual fund investment is not rated.

Investment Type	Total
Mutual Fund:	
Highmark Moderate	$ 1,523,835
Total mutual fund	$ 1,523,835
Total Portfolio	$ 1,523,835

Fair Value of Assets – Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
Level 3	Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair hierarchy in which the fair value measurements fall at September 30, 2016:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2016				
Investments by fair value level				
U.S. Treasury Obligations	$ 14,445,069	$ -	$ 14,445,069	$ -
U.S. Agency Securities	40,566,223	-	40,566,223	-
Mutual Fund	1,523,835	1,523,835	-	-
Commercial Paper	4,087,252	-	4,087,252	-
Total investments by fair value level	$ 60,622,379	$ 1,523,835	$ 59,098,544	$ -
Investments measured at net asset value				
TexSTAR	$ 1,553,614			
LOGIC	1,740,171			
TexasTERM	9,451,474			
	$ 12,745,259			
Investments measured at amortized cost - TexPool	$ 18,789,608			
Total investments	$ 92,157,246			

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient or amortized cost have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for all related external investment pool balances.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At September 30, 2016, no investments are held by the City meeting the Level 3 hierarchy classification.

Investments in State Investment Pools

During the year, the City invested in multiple public investment pools, including TexSTAR, LOGIC, TexasTerm, and TexPool. The fair value of the position of the pools are measured at net asset value and is designed to approximate the share value. Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds.

B. Receivables

Governmental and Business-type funds' receivables as of year-end for the City's major funds and non-major in the aggregate, net of the applicable allowances for uncollectible accounts, are as follows:

Governmental Funds:

	General	Parks and Recreation Development	Non-major	Total
Accounts	$ 1,504,007	$ -	$ 104,836	$ 1,608,843
Property taxes	755,920	-	-	755,920
Other taxes	2,071,652	851,040	926,546	3,849,238
Total	$ 4,331,579	$ 851,040	$ 1,031,382	$ 6,214,001
Allowance	(1,002,169)	-	(2,127)	(1,004,296)
Total (net of allowance)	$ 3,329,410	$ 851,040	$ 1,029,255	$ 5,209,705

Proprietary Funds:

	Utility	Aquatic Park	Golf	Total	Internal Service
Accounts	$ 4,557,394	$ 39,944	$ 11,344	$ 4,608,682	$ 58,727
Total	$ 4,557,394	$ 39,944	$ 11,344	$ 4,608,682	$ 58,727
Allowance	(115,691)	-	(2,067)	(117,758)	-
Total (net of allowance)	$ 4,441,703	$ 39,944	$ 9,277	$ 4,490,924	$ 58,727

Unearned Revenue

At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	Unearned
General Fund:	
Escrow deposits	$ 18,993
LEOSE Public Safety proceeds	50,893
Sub-total	$ 69,886
Parks and Recreation Development Corporation:	
Centre and event deposits for future services	$ 103,710
Sub-total	$ 103,710
Gas Development:	
Home Depot	$ 185,176
Sub-total	$ 185,176
Other governmental:	
Other	$ 58,000
Sub-total	$ 58,000
Total governmental funds	$ 416,772
Business-type activities for unearned revenue is:	
Advanced Payments, Gift Certificates, Store Credit	$ 94,259
Total unearned revenue for enterprise funds	$ 94,259

C. Capital assets

Capital asset activity for the year ended September 30, 2016 was as follows:

Primary Government **Governmental activities:**	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, nondepreciable					
Land	$ 80,844,371	$ -	$ 1,524,663	$ 184,754	$ 79,504,462
Works of art	310,208	-	-	-	310,208
Assets held for sale	3,836,877	-	3,822,265	-	14,612
Construction in progress	74,887,743	21,999,625	11,016	(80,200,313)	16,676,039
Total nondepreciable	159,879,199	21,999,625	5,357,944	(80,015,559)	96,505,321
Capital assets, depreciable:					
Buildings	64,010,970	-	4,745,014	70,931,819	130,197,775
Other improvements	191,775,616	-	-	7,356,978	199,132,594
Machinery and equipment	23,096,662	1,287,107	1,193,984	1,726,762	24,916,547
Total depreciable	278,883,248	1,287,107	5,938,998	80,015,559	354,246,916
Less accumulated depreciation for:					
Buildings	(21,451,072)	(3,140,189)	(4,674,804)	-	(19,916,457)
Other improvements	(93,482,432)	(5,364,112)	-	-	(98,846,544)
Machinery and equipment	(15,548,236)	(1,651,260)	(995,281)	-	(16,204,215)
Total accumulated depreciation	(130,481,740)	(10,155,561)	(5,670,085)	-	(134,967,216)
Total depreciable - net	148,401,508	(8,868,454)	268,913	80,015,559	219,279,700
Governmental activities - net	$ 308,280,707	$ 13,131,171	$ 5,626,857	$ -	$ 315,785,021

Primary Government **Business-type activities:**	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, nondepreciable					
Land	$ 2,579,137	$ -	$ -	$ -	$ 2,579,137
Construction in progress	1,540,134	4,663,187	-	(3,833,213)	2,370,108
Total nondepreciable	4,119,271	4,663,187	-	(3,833,213)	4,949,245
Capital assets, depreciable:					
Buildings	4,405,053	-	-	-	4,405,053
Utility Plant	105,457,128	-	-	842,874	106,300,002
Other improvements	24,549,099	49,023	-	2,980,425	27,578,547
Machinery and equipment	4,417,458	67,299	96,272	9,914	4,398,399
Total depreciable	138,828,738	116,322	96,272	3,833,213	142,682,001
Less accumulated depreciation for:					
Buildings	(2,539,071)	(147,578)	-	-	(2,686,649)
Utility Plant	(55,144,628)	(3,203,466)	-	-	(58,348,094)
Other improvements	(12,918,416)	(874,706)	-	-	(13,793,122)
Machinery and equipment	(3,103,919)	(338,808)	(73,477)	-	(3,369,250)
Total accumulated depreciation	(73,706,034)	(4,564,558)	(73,477)	-	(78,197,115)
Total depreciable - net	65,122,704	(4,448,236)	22,795	3,833,213	64,484,886
Business-type activities - net	$ 69,241,975	$ 214,951	$ 22,795	$ -	$ 69,434,131

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government	$	1,772,866
Public safety		681,620
Culture and recreation		2,138,122
Public works		4,681,144
Facilities and construction		38,764
Fleet services		647,744
Information systems		195,301
Total depreciation expense - governmental activities	$	10,155,561
Business-type activities:		
Water and sewer		$3,406,636
Golf course		335,925
Aquatic park		821,997
Total depreciation expense - business-type activities	$	4,564,558

Construction commitments & Other Significant Commitments

The City has active construction projects as of September 30, 2016. The projects include street construction, widening, and streetscaping; as well as construction of drainage facilities, parks and park improvements, and municipal facilities. At year-end the City's commitments with contractors were as follows:

	Project Authorization	Expended to September 30, 2016	Committed
Streets, drainage, public safety, park improvements, municipal facilities, equipment, and utility improvements	$ 199,873,293	$150,365,599	$49,507,694

D. Interfund receivables, payables, and transfers

At September 30, 2016, interfund balances consisted of the following:

Due to and due from other funds are the short-term portion of the advances to and advances from other funds. The Golf Course Fund is currently repaying two interfund loans to the General Fund and the Utility Fund. The original General Fund loans was $886,564 (which is an interest free loan) and is scheduled for full repayment in 2017. The original Utility Fund loan was $536,000. The current estimated pay-off is fiscal year 2019.

Due to/due from balances for governmental and proprietary funds are as follows:

Governmental activities:

Receivable Fund	Payable Fund	Total
General Fund	Golf Fund	$ 147,764
Total		$ 147,764

Business-type activities:

Receivable Fund	Payable Fund	Total
Utility Fund	Golf Fund	$ 48,003
Total		$ 48,003
Total for all funds		$ 195,767

Transfers In/Out amounts for Governmental and Proprietary Funds are as follows:

	Transfer in:						
	General Fund	General Capital Projects	General Debt Service	Parks and Recreation Development	Other Governmental	Internal Service Funds	Total
Transfer out:							
Governmental:							
General Fund	$ -	$ 3,974,950	$ -	$ 487,102	$ -	$ 75,703	$ 4,537,755
General Capital Projects	959,062	-	2,424,821	-	106,424	-	3,490,307
Parks and Recreation Development Fund	448,405	565,544	329,055	-	120,950	-	1,463,954
Gas Development Fund	-	2,796,070	-	-	-	-	2,796,070
Other Governmental	32,821	100,000	588,638	-	-	-	721,459
Subtotal governmental funds	$ 1,440,288	$ 7,436,564	$ 3,342,514	$ 487,102	$ 227,374	$ 75,703	$ 13,009,545
Proprietary:							
Utility Fund	$ 3,835,264	$ 1,125,000	$ -	$ -	$ -	$ 225,000	$ 5,185,264
Aquatic Park	158,696	-	-	81,248	-	-	239,944
Subtotal enterprise funds	3,993,960	1,125,000	-	81,248	-	225,000	5,425,208
Internal Service Funds	-	712,516	507,805	-	-	-	1,220,321
Grand total	$ 5,434,248	$ 9,274,080	$ 3,850,319	$ 568,350	$ 227,374	$ 300,703	$ 19,655,074

Governmental

In 2016, General Fund received $959,062 from General Capital Projects for a refund of the remaining reserve of the City Hall Project. Parks and Recreation Development Corporation transferred $448,405 for indirect cost fee. The Other Governmental transfers of $32,821 were from Donations and Crime Control District ($10,000 and $22,821 respectfully). These transfers were for cost sharing of expenditures in the current year. Utility Fund transferred $3,835,264. This transfer is for payment for administration fees, payment in lieu of tax, and franchise fees. Aquatic Park paid for indirect and administration fees in the total sum of $158,696.

General Capital projects received $3,974,950 from General Fund. These transfers were for permanent street and sidewalk, and facility construction projects. Parks and Recreation Development transferred $565,544 for new park facilities and infrastructure. Gas Development and Other Governmental funds transferred $2,796,070 and $100,000, respectively. These transfers represent funding for a land purchase and facilities construction. Utility Fund transferred $1,125,000. This transfer is to cover cost for capital and construction contact administration. Internal Services transferred in $712,516. This transfer was to purchase machinery and equipment for Fleet Services and update facilities.

General Debt Service receives transfers from self-supporting debt repayment sources each year. Parks and Recreation Development Corporation, Other Governmental, and Internal Service funds transferred $329,055, $588,638, and $507,805 respectively for their portion of debt service paid in 2016. The other transfer of $2,424,821 was for bond proceeds left over from project savings on the construction of City Hall and was transferred into General Debt Service.

Parks and Recreation Development Corporation received a baseline level transfer in from General Fund for the Recreation Centre operations. The transfer amount for 2016 was $487,102. Aquatic Park transfer of $81,248 is an annual transfer to help offset operational costs incurred by the fund for the water park operations. Other Governmental transfer of $120,950 is for portion share of sales tax revenue.

Other Governmental funds received a reimbursement of expenses from General Capital Projects in the amount totaling $106,424.

Proprietary

Internal service funds received additional funding to help offset non-capital project related costs above normal operations. These transfers were respectively $75,703 (General Fund) and $225,000 (Utility Fund).

E. Long-term debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital assets such as streets, drainage structures, and municipal facilities, as well as for the purpose of refunding a portion of its outstanding debt.

On March 29, 2016, the City issued $3.130 million in General Obligation Bonds with an average interest rate of 2.972% to refund $3.130 million of outstanding 2007 and 2008 General Obligation and Certificate of Obligations with an average interest rate of 3.98%. The net proceeds of $3,299,201 (includes premium of $217,378) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of ($184,448). This difference, reported in the accompanying financial statements as an increase from deferred loss on refunding, is being charged to operations through the year 2028. An economic gain was incurred (difference between the present values of the old and new debt service payments) of $178,625.

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Principal Amount
Governmental activities	2.00 - 5.50%	$ 72,330,000
Business-type activities	2.00 - 5.00%	2,970,000
		$ 75,300,000

Annual debt service requirements to maturity for general obligations bonds are as follows:

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2017	$ 6,285,000	$ 2,325,635	$ 420,000	$ 97,894
2018	6,050,000	2,108,564	390,000	81,019
2019	5,740,000	1,918,274	335,000	67,469
2020	5,515,000	1,744,714	285,000	58,369
2021	5,250,000	1,560,045	285,000	48,871
2022-2026	22,640,000	5,408,157	1,065,000	116,736
2027-2031	16,090,000	2,179,493	190,000	8,750
2032-2034	4,760,000	204,500	-	-
	$ 72,330,000	$ 17,449,380	$ 2,970,000	$ 479,108

Certificates of Obligation

The City also issues certificates of obligation (“CO’s”) to finance the acquisition and construction of capital assets including certain capital improvement projects, municipal facilities, and machinery and equipment. Certificates of Obligation bonds have been issued for 2016. The debt issued was $5,415,000 principal and premium received of $317,383. The bonds are generally issued for 20-year serial bonds with equal amounts of principal maturing each year.

Certificates of Obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Principal Amount
Governmental activities	1.25 - 5.00%	$ 46,330,000
Business-type activities	1.25 - 5.00%	14,980,000
		$ 61,310,000

Annual debt service requirements to maturity for certificates of obligation of the primary government are as follows:

Year Ending	Governmental Activities		Business-Type Activities	
September 30,	Principal	Interest	Principal	Interest
2017	$ 4,230,000	$ 1,770,278	$ 1,175,000	$ 555,363
2018	4,210,000	1,640,027	1,160,000	482,382
2019	3,575,000	1,521,475	1,025,000	450,197
2020	3,440,000	1,397,161	1,025,000	417,692
2021	3,395,000	1,273,625	980,000	385,279
2022-2026	14,375,000	4,563,965	4,610,000	1,419,514
2027-2031	9,115,000	1,881,118	3,770,000	555,668
2032-2036	3,990,000	294,475	1,235,000	98,538
	$ 46,330,000	$ 14,342,124	$ 14,980,000	$ 4,364,632

Capital Leases

Golf Fund entered into a lease agreement as lessee for the financing the acquisition of golf cart equipment originally valued at $387,845. The equipment has a four year estimated useful life with a remaining net book value of $48,481. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments were as follows:

Year Ending September 30,	Business-Type Activities
2017	$ 92,400
Less: Amount representing interest	(246)
Total Minimum Lease Payments	$ 92,154

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2016, is reflected in the following tables.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable					
General Obligation Bonds	$ 77,892,728	$ 1,930,000	$ 7,492,728	$ 72,330,000	$ 6,285,000
Certificates of Obligation	50,105,000	1,850,000	5,625,000	46,330,000	4,230,000
Premium on Bond Issues	5,469,681	218,925	385,766	5,302,840	-
Discount on Bond Issues	(8,213)	-	(605)	(7,608)	-
Compensated Absences	3,279,224	830,745	625,012	3,484,957	532,277
Other Post Employment Benefits	9,549,470	1,641,252	-	11,190,722	-
Net Pension Liability	18,972,654	9,300,239	-	28,272,893	-
Total Governmental Activities	$ 165,260,544	$ 15,771,161	$ 14,127,901	$ 166,903,804	$ 11,047,277
Business-Type Activities:					
Bonds Payable					
General Obligation Bonds	$ 1,812,272	$ 1,200,000	$ 42,272	$ 2,970,000	$ 420,000
Certificates of Obligation	13,670,000	3,565,000	2,255,000	14,980,000	1,175,000
Capital Lease	163,104	-	70,950	92,154	92,154
Premium on Bond Issues	232,663	315,837	36,103	512,397	-
Discount on Bond Issues	(33,051)	-	(2,433)	(30,618)	-
Compensated Absences	380,300	79,818	72,605	387,513	60,269
Other Post Employment Benefits	1,216,565	205,757	-	1,422,322	-
Net Pension Liability	2,369,230	1,169,467	-	3,538,697	-
Total Business-Type Activities	$ 19,811,083	$ 6,535,879	$ 2,474,497	$ 23,872,465	$ 1,747,423

IV. OTHER INFORMATION

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. While the City has historically retained a portion of these risks, coverage exists for: general, employment practice, law enforcement, and errors and omissions liability; excess workers' compensation; property damage; commercial crime coverage; and employee life insurance. Premiums are paid into the self-insurance internal service fund by all other participating funds and are available to pay claims, claim reserves, and administrative costs of the program.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for health and dental as well as workers' compensation claims that have been incurred but not reported ("IBNR"). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. An excess coverage medical insurance policy covers individual claims in excess of $175,000 and/or $8,518,664 in the aggregate for a 12-month period beginning on January 1, 2016. Changes in the balances of claims liabilities during the past two years are as follows:

	2016	2015
Unpaid claims, beginning of year	$ 1,212,385	$ 989,811
Incurred claims (including IBNR)	11,345,758	9,742,674
Claim expense	(11,237,795)	(9,520,100)
Unpaid claims, end of year	$ 1,320,348	$ 1,212,385

B. Contingent liabilities

The City has participated in a number of State and Federal assistance grant programs. Amounts received or receivable under these programs are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in certain lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City. The City's total liability for these lawsuits is approximately $270,000.

C. Postemployment Benefits

Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan is administered by Public Employees Benefit Services Corporation. In 1998, the City implemented the requirements of GASB No. 32, *Accounting and Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. In accordance with this statement and tax law, the City has amended its trust agreements which establish that all assets and income of the trust are for the exclusive benefit of eligible employees and their beneficiaries. Due to the implementation of these changes, the City does not have any fiduciary responsibility or administrative duties relating to the deferred compensation plan other than remitting employees' contributions to the trustees. Accordingly, the City has not presented the assets and liabilities of the Plan in these basic financial statements.

Retiree Healthcare Plan

Plan Description. The City provides postretirement health and dental care benefits for retirees and their dependents. The City does not have a separate audited generally accepted accounting principles financial report for the retiree health plan.

The benefits vary depending upon a retiree's years of service. Retirees fall into three categories: full retirement, early retirement, and combined service retirement. The full retirement retiree pays 100% of the current premiums for health and dental care coverage for themselves and covered dependents. Early retirement and combined service retirement employees pay premiums for health and dental care coverage for themselves and covered dependents at 150% and 175%, respectively, of the current premium. The City's regular health and dental care benefit providers underwrite the retirees' policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

Membership	
Non-vested active members	397
Fully-vested active members	87
Retirees and beneficiaries currently receiving benefits	155
	639

The City of North Richland Hills Retired Employees Healthcare Plan (NRHREHP) is a single-employer defined benefit healthcare plan and is self-administered through an internal oversight committee (appointed by the City Manager through conveyed authority from City Council). NRHREHP provides medical, prescription, and dental insurance benefits to eligible retirees and their spouses. City council is the authoritative body granting health care benefits for both active and retired employees.

Funding Policy. The contribution requirements of plan members and the state are established and may be amended by the City Council members. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund.

For fiscal year 2016, the City contributed a total of $1,825,328 to the plan for current premiums. Of the $1,825,328, $100,000 was contributed to the OPEB Trust and $1,725,328 was for health insurance premium activity.

It is anticipated that governmental fund General Fund will liquidate the majority other post-employment benefits liabilities.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to NRHREHP:

	2014	2015	2016
Annual required contribution	$ 3,177,342	$ 3,290,774	$ 3,572,245
Interest on net OPEB obligation	340,422	439,535	484,472
Adjustment to annual required contribution	(270,092)	(1,043,305)	(384,382)
Annual OPEB cost (expense)	3,247,672	2,687,004	3,672,335
Contributions made	(1,108,890)	(1,688,391)	(1,825,328)
Increase (Decrease) in net OPEB obligation	2,138,782	998,613	1,847,007
Net OPEB obligation-beginning of year	7,628,642	9,767,424	10,766,037
Net OPEB obligation-end of year	$ 9,767,424	$ 10,766,037	$ 12,613,044

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 through 2016:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2014	$ 3,247,672	34.14%	$ 9,767,424
9/30/2015	$ 2,687,004	62.84%	$ 10,766,037
9/30/2016	$ 3,672,335	49.70%	$ 12,613,044

Funded Status and Funding Progress. As of September 30, 2016, the most recent actuarial valuation date, the plan was 2.65% percent funded. The actuarial accrued liability for benefits was $54,351,123, and the actuarial value of assets was $1,402,075, resulting in an unfunded actuarial accrued liability (UAAL) of $52,949,048. The covered payroll (annual payroll of active employees covered by the plan) was $34,144,856 and the ratio of the UAAL to the covered payroll was 155.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2016, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a the interest rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10.00% initially, reduced by decrements to an ultimate rate of 5.00% after ten years. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. Each component of the calculation is being amortized over a thirty year period since inception.

The healthcare cost trend rate for the plan used 9.5% for 2015-2016 and ending with 4.5% rate for 2025 and beyond.

D. Employee retirement system and pension plan

Plan Description

The City of North Richland Hills participates as one of 860 plans in the nontraditional, joint contributory, hybrid agent multiple-employer defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issue a publically available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.org.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of member's deposits and interest.

Benefits depend upon the sum of the employees' contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150% and 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit. An updated service credit is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

As the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	311
Inactive employees entitled to but not yet receiving benefits	248
Active employees	540
	1,099

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.79% and 16.26% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016 were $5,417,111, and were equal to the required contributions.

Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2015, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year (3.0% in prior year)
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation (7.00% in prior year)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75% and the inflation rate from 3% to 2.5% for the 2015 actuarial valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investment was determined using a building-block method in which best estimate ranges of expend future real rates of return (expected returns, net of pension plan investment expense and inflation are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 6.75% (7% in prior year). The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Basis of Allocation

Pension items are allocated between governmental activities and business-type activities on the basis of employee payroll funding. For the year ended September 30, 2016, those percentages were 89% and 11%, respectively, which approximated the prior year's allocations.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at September 30, 2015	$ 213,918,870	$ 192,576,983	$ 21,341,887
Changes for the year:			
Service cost	5,732,122	-	5,732,122
Interest	14,861,355	-	14,861,355
Difference between expected and actual experience	(1,819,900)	-	(1,819,900)
Changes of assumptions	(452,493)	-	(452,493)
Contributions - employer	-	5,468,306	(5,468,306)
Contributions - employee	-	2,280,541	(2,280,541)
Net investment income	-	284,162	(284,162)
Benefits payments, including refunds of employee contributions	(8,959,709)	(8,959,709)	-
Administrative expense	-	(173,081)	173,081
Other changes	-	(8,547)	8,547
Net Changes	9,361,375	(1,108,328)	10,469,703
Balance at September 30, 2016	$ 223,280,245	$ 191,468,655	$ 31,811,590

Sensitivity of the net pension liability to changes in the discount rate.

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%., as well as what the City's net pension liability would be if it were calculate using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net pension liability	64,940,246	31,811,590	4,761,061

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of $7,301,478.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	$ 11,952,170	$ -
Difference in assumption changes	-	362,175
Differences between expected and actual experience	-	2,610,519
Contributions subsequent to the measurement date	3,879,678	-
Total	$ 15,831,848	$ 2,972,694

$3,879,678 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2017	$ 2,287,301
2018	2,287,301
2019	2,287,300
2020	2,122,113
2021	(4,539)
	$ 8,979,476

E. Implementation of future GASB Statements

The Governmental Accounting Standards Board ("GASB") has issued the following new statements to be implemented in future years.

Statement No. 73: Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.

GASB Statement No. 73: *Accounting for Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68* was issued in June 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement was partially effective for the City's fiscal year 2016 and will be fully effective in fiscal year 2017.

Statement No.74: Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

GASB Statement No. 74: *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* was issued June 2015. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This standard becomes effective for the City in fiscal year 2017.

Statement No.75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

GASB Statement No. 75: *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was issued June 2015. The primary objective of this Statement if to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This standard becomes effective for the City in fiscal year 2018.

Statement No.77: Tax Abatement Disclosures

GASB Statement No. 77: *Tax Abatement Disclosures* was issued in August 2015. This Statement improves financial reporting by giving users of financial statement essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. This standard becomes effective for the City in fiscal year 2017.

GASB Statement No. 80: *Blending Requirements for Certain Component Units* – an amendment to GASB Statement No. 14

GASB Statement No. 80: *Blending Requirements for Certain Component Units* amends Statement No. 14, *The Financial Reporting Entity*, to add an additional criterion for reporting a component unit through the blending method. If a component unit is a not-for-profit corporation and the primary government is the sole corporate member, the component unit should be blended. This standard becomes effective for the City in fiscal year 2017.

GASB Statement No. 81: *Irrevocable Split-Interest Agreements*

GASB Statement No. 81: *Irrevocable Split-Interest Agreements* provides guidance for governments that are named as beneficiaries of split-interest agreements to recognize an asset (beneficial interest) and deferred inflow of resources. It also provides guidance for governments that are administering the trust assets to recognize a liability for payments to the other beneficiaries. GASB guidance previously had included very little about split-interest agreements. In split-interest agreements, donors contribute assets for the benefit of a government (such as a public university or hospital) and at least one other party. The assets are held in a trust or a similar arrangement, sometimes administered by the government itself. This standard becomes effective for the City in fiscal year 2018.

GASB Statement No. 82: *Pension Issues* – an amendment of GASB Statements No. 67, No. 68 and No. 73

GASB Statement No. 82: *Pension Issues* – an amendment of GASB Statements No. 67, No. 68 and N. 73 – amendments to pension guidance in GASB 67 and 68 based on three issues raised during implementation of those standards. It changes the payroll amount presented in required supplementary information back to covered payroll, being the amount on which contributions to the pension plan are based. It specifies that an actuarial valuation is not inconformity with the pension standards if it includes a deviation from the Actuarial Standards of Practice in the selection of assumptions. GASB 82 also specifies that payments made by employers to satisfy employee contribution requirements should be considered employee contributions and recognized as expense or expenditure in the same manner as other compensation. This standard becomes effective for the City in fiscal year 2017.

GASB Statement No. 83: *Certain Asset Retirement Obligations*

GASB Statement No. 83: *Certain Asset Retirement Obligations* establishes uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs). An ARO is defined as a legally enforceable liability associated with the retirement of a tangible capital asset. Examples could be costs associated with decommissioning a nuclear power plant or disposal of x-ray machine. An ARO is recognized when the liability is incurred, which is manifested by the occurrence of both an external obligating event (such as a legally binding contract or a court judgment) and an internal obligating event (such as placing a tangible capital asset into service). A government also recognizes a deferred outflow of resources when it recognizes an ARO liability. The ARO is measured at the best estimate of the current value of outlays expected to be incurred. Additional note disclosures are required. This standard becomes effective for the City in fiscal year 2019.

GASB Statement No. 84: *Fiduciary Activities*

GASB Statement No. 84: *Fiduciary Activities* establishes criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and other postemployment benefit arrangements, and other fiduciary activities. The focus is on a government controlling the assets of the fiduciary activity and identification of the beneficiaries of those assets. Fiduciary activities are reported in one of four types of funds: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, or custodial funds. Custodial funds are used to report fiduciary activities that are not held in a trust. The agency fund designation will no longer be used. GASB 84 also provides guidance on fiduciary fund statements and timing of recognition of a liability to beneficiaries. This standard becomes effective for the City in fiscal year 2020.

GASB Statement No. 85: *Omnibus 2017*

GASB Statement No. 85: *Omnibus 2017* addresses practice issues that have arisen during implementation of other GASB standards. Among the topics addressed are blending of component units for a business-type activity that reports in a single column, presentation of goodwill from acquisitions that occurred prior to GASB 69, valuation of money market and certain other investments, and certain issues relating to pensions and other postemployment benefits. These updates either provide clarification, correction, or additional guidance on the topics covered. This standard becomes effective for the City in fiscal year 2018.

The City has not yet determined the effect on the City's financial statements or disclosures upon implementation of these new accounting standards.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF NORTH RICHLAND HILLS, TEXAS
Required Supplementary Information
Texas Municipal Retirement System Plan
Schedule of Changes in Net Pension Liability and Related Ratios

	Measurement Year 2014	Measurement Year 2015
Total pension liability		
Service cost	$ 5,572,383	$ 5,732,122
Interest (on the total pension liability)	14,176,755	14,861,355
Difference between expected and actual experience	(1,880,743)	(1,819,900)
Change of assumptions	-	(452,493)
Benefit payments, including refunds of employee contributions	(7,376,810)	(8,959,709)
Net Change in Total Pension Liability	10,491,585	9,361,375
Total Pension Liability - Beginning	203,427,285	213,918,870
Total Pension Liability - Ending (a)	$ 213,918,870	$ 223,280,245
Plan Fiduciary Net Position		
Contributions - employer	$ 5,636,415	$ 5,468,306
Contributions - employee	2,236,673	2,280,541
Net investment income	10,400,524	284,162
Benefit payments, including refunds of employee contributions	(7,376,810)	(8,959,709)
Administrative expense	(108,580)	(173,081)
Other	(8,929)	(8,547)
Net Change in Plan Fiduciary Net Position	10,779,293	(1,108,328)
Plan Fiduciary Net Position - Beginning	181,797,690	192,576,983
Plan Fiduciary Net Position - Ending (b)	$ 192,576,983	$ 191,468,655
Net Pension Liability - Ending (a) - (b)	$ 21,341,887	$ 31,811,590
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.02%	85.75%
Covered Employee Payroll	$ 31,952,469	$ 32,568,873
Net Pension Liability as a Percentage of Covered Employee Payroll	66.79%	97.67%

Changes in assumptions: In the 2015 valuation, the investment rate of return decreased from 7.0% to 6.75%, the discount rate decreased from 7.0% to 6.75%, and the inflation rate decreased from 3.0% to 2.5%.

The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 68, only periods of which such information is available are presented.

CITY OF NORTH RICHLAND HILLS, TEXAS
Required Supplementary Information
Texas Municipal Retirement System Plan
Schedule of Contributions

	FY 2015	FY 2016
Actuarially determined contribution	$ 5,528,987	$ 5,417,111
Contributions in relation to the actuarially determined contribution	$ 5,528,987	$ 5,417,111
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 32,471,592	$ 33,017,098
Contributions as a percentage of covered employee payroll	17.03%	16.41%

Notes:

Valuation Date:	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rate:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years
Asset Valuation Method	10 Year Smoothed Market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 14.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:	There were no benefit changes during the year.

The information in this schedule has been determined as of the City's fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 68, only periods of which such information is available are presented.

CITY OF NORTH RICHLAND HILLS, TEXAS
Required Supplementary Information
North Richland Hills Other Post-Employment Benefits
Schedule of Funding Progress

Valuation Dated September 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liablity (UAAL)	Fund Ratio	Annual Covered Payroll	UAAL as % of Payroll
2011	$ 595,415	$ 42,098,543	$ 41,450,154	2.00%	$ 30,514,794	135.80%
2012	$ 779,748	$ 44,173,440	$ 43,393,624	2.00%	$ 31,735,386	136.70%
2013	$ 1,032,303	$ 46,317,371	$ 45,285,068	2.28%	$ 31,030,924	145.90%
2014	$ 1,181,007	$ 48,231,929	$ 47,050,922	2.51%	$ 32,272,161	145.80%
2015	$ 1,341,699	$ 52,473,590	$ 51,131,892	2.62%	$ 32,831,592	155.70%
2016	$ 1,402,075	$ 54,351,123	$ 52,949,048	2.65%	$ 34,144,856	155.10%

CITY OF NORTH RICHLAND HILLS, TEXAS
Required Supplementary Information (unaudited)
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended September 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property taxes (penalties & interest included)	$ 15,222,208	$ 15,342,373	$ 15,383,760	$ 41,387
City sales taxes	9,601,841	9,616,109	9,675,943	59,834
Mixed beverage taxes	135,000	140,000	139,062	(938)
Franchise taxes	5,191,031	5,185,970	5,183,828	(2,142)
Sub-total Taxes	30,150,080	30,284,452	30,382,593	98,141
Fines and forfeitures	2,278,475	1,886,694	1,892,511	5,817
Licenses and permits	1,898,736	2,587,005	2,796,748	209,743
Charges for services	2,191,885	2,222,938	2,421,983	199,045
Intergovernmental	5,158,535	5,155,623	5,215,730	60,107
Miscellaneous	1,626,723	1,609,294	1,601,013	(8,281)
Sub-total Non-Tax Revenues	13,154,354	13,461,554	13,927,985	466,431
Other Appropriations:				
Court Technology Funds	-	59,851	59,851	-
Previous year encumbrances	-	428,833	428,833	-
General Fund Reserves	-	3,870,000	3,870,000	-
Sub-Total Appropriations	-	4,358,684	4,358,684	-
TOTAL REVENUES	43,304,434	48,104,690	48,669,262	564,572
EXPENDITURES				
City Council	129,470	129,470	119,155	10,315
City Manager	621,833	637,413	637,412	1
Communications	348,706	350,246	344,973	5,273
City Secretary	466,413	478,413	399,561	78,852
Legal	304,374	346,266	337,071	9,195
Human Resources	133,415	133,698	131,385	2,313
Finance	676,191	686,031	682,896	3,135
Budget & Research	387,080	369,404	366,334	3,070
Municipal Court	1,390,388	1,466,773	1,382,680	84,093
Planning and Inspections	1,035,058	1,054,076	1,054,078	(2)
Economic Development	322,219	330,972	325,017	5,955
Library	2,104,314	2,108,506	1,960,936	147,570
Neighborhood Services	1,748,645	1,764,524	1,701,576	62,948
Public Works	4,174,467	3,253,220	3,061,675	191,545
Parks & Recreation	1,561,626	1,574,526	1,546,560	27,966
Police	12,995,899	13,243,258	13,208,533	34,725
Emergency Management	986,428	892,645	795,810	96,835
Fire	11,172,368	11,225,511	11,049,544	175,967
Building Services	848,774	848,774	848,774	-
Non-Departmental	973,331	1,316,388	1,262,210	54,178
Sub-Total Departments	42,380,999	42,210,114	41,216,180	993,934
Reserves & Other Expenditures				
Reserves	179,980	1,179,980	1,180,306	(326)
Transfers out	612,805	4,537,755	4,537,755	-
Economic development incentives	130,650	176,841	103,495	73,346
Sub-Total Reserves and Other	923,435	5,894,576	5,821,556	73,020
TOTAL EXPENDITURES	43,304,434	48,104,690	47,037,736	1,066,954
Net Increase	$ -	$ -	$ 1,631,526	$ 1,631,526

The notes to the required supplemental information are an integral part of this schedule.

CITY OF NORTH RICHLAND HILLS, TEXAS
Notes to Required Supplementary Information
September 30, 2016

A. Budgetary Information

Annual budgets are adopted on a modified cash basis for the following : General, General Debt Service, Promotional, Donations, Special Investigations, Drainage Utility, Parks and Recreation Development, Crime Control District, Gas Development, Traffic Safety, Utility, Aquatic Park, Golf, Facilities and Construction, Fleet Services, Self Insurance, and Information Systems. The General Capital Projects Fund and Grants Fund adopt project-length budgets. The Tax Increment Finance District #2, Tax Increment Finance District #1, Tax Increment Finance Districts - Debt Service, and Sales Tax Revenue Bonds - Debt Service do not have formal adopted budgets.

Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to September 30, the budget is legally enacted through passage of an ordinance.

The appropriated budget is prepared by fund, department, and division. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. During the year the City budget appropriations were increased by $23,127,727.

Legally Adopted Fund	Original	Final	Revision Increase (Decrease)	Explanation
General Fund	$ 43,304,434	$ 48,104,690	$ 4,800,256	In January 2016, the City Council approved a Budget Amendment, providing for a transfer of $3.87 million of General Fund Reserves to a capital project in order for the City to take advantage of a development opportunity along one of its major highways. The change also included funding for prior year encumbrances, Court related technology projects funded with designated reserves, legal settlements and additional funds for economic development incentives.
General Debt Service	$ 12,261,458	$ 13,922,984	$ 1,661,526	The increase in General Debt Service expenditures were directly related to the refunding of debt.
Parks and Recreation	$ 8,379,961	$ 8,585,424	$ 205,463	The budgetary increase included additional funding for capital projects.
Gas Development	$ -	$ 6,249,918	$ 6,249,918	The additional funding included the transfer of funds to two capital projects Additionally, the City received revenue related to the sale of property. These funds were used to repay an interfund loan of $3,226,239 that was used for the original purchase.
Promotional	$ 226,302	$ 258,943	$ 32,641	The primary increase was the reflection of revenues in excess of projected expenditures as a contribution to reserves within the operating budget.
Donations	$ 275,581	$ 247,155	$ (28,426)	The original budget included a transfer to cover a portion of the debt service payment on the City's new Animal Shelter. This transfer was reduced based on the re-projection of related donation revenue at mid-year.
Special Investigations	$ 129,500	$ 354,483	$ 224,983	The funds added to the final budget in the Special Investigations fund included the purchase of audio/visual equipment and controls for the Police section of new City Hall, additional public safety radios and police equipment.
Drainage Utility Fund	$ 678,789	$ 866,090	$ 187,301	$100,000 of this increase was the addition of a transfer to a drainage capital project. The remaining increase was the inclusion of projected revenues over expenditures in the operating budget as a contribution to reserves.
Crime Control District	$ 5,020,512	$ 5,245,331	$ 224,819	Revisions included additional funding for furniture and audio/visual equipment for use by the Police Department in the City's new City Hall and the implementation of a rifle replacement program. Additionally, roughly $70,000 was reflected as a contribution to reserves as part of the expenditure budget.
Traffic Safety	$ 933,309	$ 1,122,053	$ 188,744	Of the $188,744 increase, $79,074 is attributed to an anticipated larger payment to the State for the photo enforcement program. The remaining change is the result of reflecting revenues in excess of expenditures as a contribution to reserves in the operating budget.

Utility	$ 31,092,874	$ 37,194,345	$ 6,101,471	The fund overall saw an increase in costs for such things as wastewater treatment. The revised budget also include the transfer of reserves to fund multiple capital projects and the incorporation of expenses related to the refunding of a debt. The change also reflected the repayment of a $3,226,239 interfund loan, which was included in the operating budget as a contribution to reserves.
Aquatic Park	$ 4,667,197	$ 5,050,829	$ 383,632	The appropriation increase was due to additional transfers to capital projects and the expenses related to the refunding of previously issued debt.
Golf	$ 2,434,082	$ 2,586,779	$ 152,697	Roughly $38,000 of the increase was directly attributed to increased activity and revenue at the golf course, particularly in the area of costs of good sold for the Pro Shop and Food and Beverage. The revision also includes a partial repayment of an interfund loan and revenues in excess of expenses being reflected in the operating budget as a contribution to reserves.
Facilities and Construction	$ 3,080,996	$ 3,594,223	$ 513,227	The increase reflected in Facilities and Construction represents additional transfers to capital projects, renovation of City owned rental property and prior year encumbrances.
Fleet Services	$ 3,902,219	$ 3,998,555	$ 96,336	The increase in appropriation reflects additional funds contributed to reserves and prior year encumbrances.
Self Insurance	$ 11,639,573	$ 13,640,209	$ 2,000,636	Increase is all due to the rising health claims trend and the impact of multiple large claims.
Information Technology	$ 3,229,743	$ 3,337,196	$ 107,453	The primary factors contributing to the increase were a $95,000 transfer to capital projects and prior year encumbrances.
Total	$ 131,256,530	$ 154,359,207	$ 23,102,677	

B. General Fund Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Net increase (decrease) to budgetary unreserved undesignated fund balance	$ 1,631,526
The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition	(4,358,684)
The City budgets specific "Reserves" expenditures as a outflow but in GAAP statements it is not an expenditure: Peg Franchise Fees Reserves.	1,180,306
Increase (decrease) in investment fair value changes and interest unavailable are not considered a resource/inflow for budgetary recognition	(9,435)
Increase (decrease) in intergovernmental shared services revenue are not considered a resource/inflow for budgetary recognition because payment for services will be received in subsequent fiscal year.	-
Increase (decrease) in miscellaneous revenue are not considered a resource/inflow for budgetary recognition because payment for services will be received in subsequent fiscal year.	4,266
Sources/Inflows for advances given to other funds are not recognized as revenues in GAAP statements; only recognized as reduction of an asset on balance sheet and not a transfer in	(147,762)
Outflows of sources for prepaid expenditures for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expenditure recognition until the period of coverage.	(83,405)
Outflows for expenditures for budgetary basis is recognized in actual period in which resources were used to expend the payment. Accounts receivable bad debt is not recognized as an outflow of resources in the budgetary statement and only recognized as reduction of resources in GAAP statements.	8,185
Special funded projects are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget	10,000
Total "Net Change in Fund Balance" from the Statement of Revenues, Expenditures, and Changes in Balances - Governmental Fund -- General Fund	$ (1,765,003)

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Promotional Fund accounts for the operations and expenditures for which hotel/motel occupancy taxes are used. Occupancy tax revenues are primarily to attract tourist and new businesses to the City.

The Donations Fund holds funds contributed (donated) to the City for special projects earmarked by requests or nonrecurring expenditures. It primarily collects and holds funds that are voluntarily given by the citizens via adding $1.50 to their water utility billing which is then distributed to support the activities of the library and neighborhood services departments.

The Special Investigations Fund is mandated by state statute to account for various legal seizure and forfeiture deposits and expenditures.

The Drainage Utility Fund accounts for the establishment of drainage facilities within the municipal boundaries of the City and the subsequent billing and collection of fees so established.

The Crime Control and Prevention District Fund accounts for the accumulation and use of half-cent sales tax proceeds dedicated for crime prevention and reduction programs.

The Grants Fund is a centralized fund accounting for all private, local, state, and federal grant proceeds.

The Economic Development Fund accounts for the accumulation and expenditure of resources designed to stimulate the local economy through development and redevelopment.

The Traffic Safety Fund accounts for funds collected from various red-light traffic safety cameras. These resources assist with funding of various traffic safety projects.

Tax Increment Financing District #1 is to fund drainage improvements that would alleviate flooding problems, reduce property damage associated with the flooding, and stimulate development for the benefit of citizens within TIF #1.

DEBT SERVICE FUND

The Tax Increment Financing Districts (TIF's) Debt Service Fund is used to accumulate monies for the payment of principal, interest, and related charges on the debts of Districts No. 1 and No. 2.

The Sales Tax Revenue Debt Service Fund is used to accumulate monies for the payment of principal, interest, and related charges on sales tax revenue bonds.

CITY OF NORTH RICHLAND HILLS, TEXAS
Combining Balance Sheet
Non-major Governmental Funds
September 30, 2016

	Special				
	Promotional	Donations	Special Investigations	Drainage Utility	Crime Control District
Assets					
Cash and cash equivalents	$ 153,724	$ 159,277	$ 190,436	$ 327,017	$ -
Investments	378,231	484,608	254,124	744,642	-
Receivables, net of allowance					
Accounts	-	-	-	102,709	-
Other taxes receivable	74,965	-	-	-	851,581
Interest receivable	334	428	224	658	418
Intergovernmental receivables	-	-	-	-	-
Other receivables	-	-	32	-	-
Prepaid items	2,453	598	1,010	-	5,106
Restricted:	-				
Cash and cash equivalents	-	-	-	-	632,846
Investments	-	-	-	-	472,788
Total assets	$ 609,707	$ 644,911	$ 445,826	$ 1,175,026	$ 1,962,739
Liabilities					
Accounts payable	-	5,133	-	676	62,289
Retainage payable			-	-	-
Accrued liabilities	3,657	-	-	-	129,704
Intergovernmental payables		-	-	-	-
Deposits and other liabilities	-	7	2	-	-
Unearned revenue	-	-	58,000	-	-
Total liabilities	3,657	5,140	58,002	676	191,993
Deferred Inflows of Resources					
Unavailable revenue - grants	$ -	$ -	$ -	$ -	$ -
Total deferred inflows of resources	-	-	-	-	-
Fund Balance					
Nonspendables:					
Prepaids	2,453	598	1,010	-	5,106
Restricted:					
Crime control district	-	-	-	-	1,695,421
Debt service	-	-	-	-	-
Grants	-	-	-	-	-
Promotional & economic development	603,597	-	-	-	-
Public safety	-	-	344,663	-	-
Capital projects (bond funded)	-	-	-	-	-
Committed:					
Donations	-	639,173	-	-	-
Drainage utility	-	-	-	1,174,350	-
Assigned:					
Purchases on order	-	-	42,151	-	70,219
Total fund balance	606,050	639,771	387,824	1,174,350	1,770,746
Total liabilities, deferred inflows and fund balance	$ 609,707	$ 644,911	$ 445,826	$ 1,175,026	$ 1,962,739

Revenue				Debt Service		
Grants	Economic Development	Traffic Safety	Tax Increment Finance District #1	Tax Increment Finance Districts	Sales Tax Revenue Bond	Total Non-major Governmental
$ 12,343	$ 217,877	$ 290,143	$ -	$ -	$ -	$ 1,350,817
41,369	242,814	667,814	-	-	-	2,813,602
-	-	-	-	-	-	102,709
-	-	-	-	-	-	926,546
36	533	590	68	2,182	162	5,633
38,633	-	-	-	-	-	38,633
-	-	-	-	-	-	32
1,709	-	-	-	763	-	11,639
-	152,959	-	2,229,466	416,507	77,651	3,509,429
-	359,991	-	76,828	2,470,319	183,206	3,563,132
$ 94,090	$ 974,174	$ 958,547	$ 2,306,362	$ 2,889,771	$ 261,019	$ 12,322,172
-	-	54,140	112,236	-	-	234,474
-	-	-	11,406	-	-	11,406
-	-	9,634	-	-	-	142,995
-	-	275,184	-	-	-	275,184
-	-	-	-	-	-	9
-	-	-	-	-	-	58,000
-	-	338,958	123,642	-	-	722,068
$ 8,523	$ -	$ -	$ -	$ -	$ -	8,523
8,523	-	-	-	-	-	8,523
1,709	-	-	-	763	-	11,639
-	-	-	-	-	-	1,695,421
-	-	-	-	2,889,008	261,019	3,150,027
83,858	-	-	-	-	-	83,858
-	974,174	-	-	-	-	1,577,771
-	-	559,608	-	-	-	904,271
-	-	-	1,864,092	-	-	1,864,092
-	-	-	-	-	-	639,173
-	-	-	-	-	-	1,174,350
-	-	59,981	318,628	-	-	490,979
85,567	974,174	619,589	2,182,720	2,889,771	261,019	11,591,581
$ 94,090	$ 974,174	$ 958,547	$ 2,306,362	$ 2,889,771	$ 261,019	$ 12,322,172

CITY OF NORTH RICHLAND HILLS, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
September 30, 2016

	Special				
	Promotional	Donations	Special Investigations	Drainage Utility	Crime Control District
REVENUES					
Taxes	$ 275,072	$ -	$ -	$ -	$ 4,886,547
Charges for services	-	-	-	881,379	-
Civil citations	-	-	-	-	-
Contributions	-	256,763	-	-	-
Investment income	3,756	4,900	1,983	7,441	4,569
Intergovernmental	-	-	103,790	-	198,650
Forfeitures	-	-	112,118	-	-
Miscellaneous	-	35	2	-	39,159
Total revenues	278,828	261,698	217,893	888,820	5,128,925
EXPENDITURES					
General government	106,785	19,116	-	559	-
Public safety	-	32,156	211,696	-	4,962,683
Culture and recreation	98,967	121,608	-	-	-
Public works	-	-	-	30,000	-
Capital outlay:					
Public safety	-	-	331,168	-	107,033
Culture and recreation	2,450	-	-	-	-
Public works	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	208,202	172,880	542,864	30,559	5,069,716
Excess (deficiency) of revenues over expenditures	70,626	88,818	(324,971)	858,261	59,209
OTHER FINANCING SOURCES (USES)					
Issuance of refunding of debt	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Proceeds from sale of assets	-	-	4,668	-	-
Transfer in	-	-	106,424	-	-
Transfers out	-	(44,849)	-	(653,789)	(22,821)
Total other financing sources (uses)	-	(44,849)	111,092	(653,789)	(22,821)
Net change in fund balance	70,626	43,969	(213,879)	204,472	36,388
Fund balance - beginning of year	535,424	595,802	601,703	969,878	1,734,358
Fund balance - end of the year	$ 606,050	$ 639,771	$ 387,824	$ 1,174,350	$ 1,770,746

Revenue				Debt Service		
Grants	Economic Development	Traffic Safety	Tax Increment Finance District #1	Tax Increment Finance Districts	Sales Tax Revenue Bonds	Total Non-major Governmental
$ -	$ -	$ -	$ -	$ 3,691,263	$ -	$ 8,852,882
-	-	-	-	-	-	881,379
-	-	1,322,940	-	-	-	1,322,940
-	-	-	-	-	-	256,763
412	6,102	5,738	9,118	19,690	1,851	65,560
331,143	-	-	-	-	-	633,583
-	-	-	-	-	-	112,118
-	-	-	-	-	-	39,196
331,555	6,102	1,328,678	9,118	3,710,953	1,851	12,164,421
140,424	-	-	-	-	-	266,884
159,123	-	1,064,513	-	-	-	6,430,171
-	-	-	-	-	-	220,575
-	-	-	-	-	-	30,000
12,567	-	-	-	-	-	450,768
-	-	-	-	-	-	2,450
-	-	-	380,133	-	-	380,133
-	-	-	-	2,102,934	-	2,102,934
-	-	-	-	747,688	-	747,688
312,114	-	1,064,513	380,133	2,850,622	-	10,631,603
19,441	6,102	264,165	(371,015)	860,331	1,851	1,532,818
-	-	-	-	955,000	-	955,000
-	-	-	-	65,066	-	65,066
-	-	-	-	(1,005,586)	-	(1,005,586)
-	-	-	-	-	-	4,668
-	120,950	-	-	-	-	227,374
-	-	-	-	-	-	(721,459)
-	120,950	-	-	14,480	-	(474,937)
19,441	127,052	264,165	(371,015)	874,811	1,851	1,057,881
66,126	847,122	355,424	2,553,735	2,014,960	259,168	10,533,700
$ 85,567	$ 974,174	$ 619,589	$ 2,182,720	$ 2,889,771	$ 261,019	$ 11,591,581

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Debt Service Fund
Year Ended September 30, 2016

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Property taxes (penalties & interest included)	$ 8,391,108	$ 8,391,108	$ 8,391,108	$ -
Sub-total ad valorem taxes	8,391,108	8,391,108	8,391,108	-
Transfers in:				
Drainage utility	553,789	553,789	553,789	-
Parks & recreation facilities development corp.	329,005	329,055	329,055	-
Fleet services fund	440,414	439,793	480,406	40,613
Facilities services fund	27,399	27,399	27,399	-
Sub-total transfers in	1,350,607	1,350,036	1,390,649	40,613
Other:				
Bond issuance premium	-	37,212	37,212	-
Refunding Proceeds	-	1,009,652	1,009,652	-
Interest income	12,100	10,748	15,418	4,670
City of Watauga, cip participation	82,853	82,853	82,853	-
Miscellaneous Revenues	-	-	31	31
Transfer in	2,424,790	2,459,639	2,459,639	-
Appropriation of fund balance	-	581,736	581,736	-
Sub-total other	2,519,743	4,181,840	4,186,541	4,701
Total revenues	12,261,458	13,922,984	13,968,298	45,314
EXPENDITURES				
Existing bonds & co's	12,204,458	12,759,015	12,641,854	117,161
Issuance costs/paying agent fees	57,000	143,834	45,517	98,317
Bond defeasance/refunding	-	1,020,135	1,020,135	-
Total expenditures	12,261,458	13,922,984	13,707,506	215,478
Net Increase	$ -	$ -	$ 260,792	$ 260,792

Notes to other supplementary information are an integral part of this schedule.

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
Parks and Recreation Development Corporation Fund
Year Ended September 30, 2016

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Sales tax	$ 4,800,921	$ 4,808,055	$ 4,837,974	$ 29,919
Interest income	18,000	17,611	26,800	9,189
Youth assn. maintenance fees	60,000	47,000	38,245	(8,755)
Tennis center revenue	355,550	358,650	368,664	10,014
Transfer in from aquatic park fund	81,248	81,248	81,248	-
Park impact fees	70,000	80,000	104,351	24,351
Insurance	-	11,273	31,133	19,860
Other income	1,000	195,670	115,074	(80,596)
Appropriation of fund balance	-	8,767	8,767	-
NRH Centre				
Memberships/drop-in passes	1,420,000	1,420,000	1,385,697	(34,303)
Fitness	368,000	389,000	450,633	61,633
Recreation/sports	286,340	246,984	237,921	(9,063)
Grand hall rental	166,800	175,864	184,074	8,210
Catering & event fees	17,000	8,200	11,062	2,862
Aquatic programs	189,000	191,000	224,422	33,422
Pool rental	5,400	5,400	3,200	(2,200)
Gym rental	3,100	3,100	3,109	9
Concessions/merchandise	27,000	27,000	24,602	(2,398)
Special events	10,000	10,000	8,802	(1,198)
Other	13,500	13,500	20,917	7,417
General fund	487,102	487,102	487,102	-
Total revenues	8,379,961	8,585,424	8,653,797	68,373
EXPENDITURES				
Operating				
Park facilities development administration	733,034	733,318	731,369	1,949
Parks & public grounds	2,022,335	1,993,063	1,894,305	98,758
Tennis center operations	625,843	625,954	562,987	62,967
Sub-total operating	3,381,212	3,352,335	3,188,661	163,674
NRH Centre				
Center management	686,952	687,839	636,010	51,829
Fitness	449,656	482,833	481,875	958
Building operations	209,180	206,713	197,335	9,378
Aquatic	556,618	556,934	539,337	17,597
Recreation sports	348,561	318,561	293,449	25,112
Event center	287,869	286,959	249,876	37,083
Building services	360,750	360,750	360,750	-
Sub-total NRH Centre	2,899,586	2,900,589	2,758,632	141,957
Other & Reserves				
Debt service - CO's	329,055	329,055	329,055	-
Indirect costs	449,959	448,405	448,405	-
Non-department	44,130	142,483	83,209	59,274
Reserve for capital	1,062,340	1,190,795	565,544	625,251
Reserve for economic development	120,023	120,201	120,949	(748)
Reserve for impact fees	-	25,000	49,351	(24,351)
Reserve for NRH Centre	93,656	76,561	282,909	(206,348)
Total other & reserves	2,099,163	2,332,500	1,879,422	453,078
Total expenditures	8,379,961	8,585,424	7,826,715	758,709
Net Increase (Decrease)	$ -	$ -	$ 827,082	$ (690,336)

Notes to other supplementary information are an integral part of this schedule.

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
Gas Development Fund
Year Ended September 30, 2016

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Royalties/overrides				
General fund purposes	$ 650,000	$ 242,649	$ 263,932	$ 21,283
Sub-total royalties / overrides	650,000	242,649	263,932	21,283
Other				
Sales of capital assets	-	3,202,805	3,202,805	-
Interest income	12,000	8,394	6,851	(1,543)
Sub-total other	12,000	3,211,199	3,209,656	(1,543)
Appropriation of reserves				
General fund purposes	-	2,796,070	2,796,070	-
Sub-total appropriation of reserves	-	2,796,070	2,796,070	-
Total revenues	662,000	6,249,918	6,269,658	19,740
EXPENDITURES				
Operating				
Transfer to capital projects	-	2,796,070	2,796,070	-
Transfer to utility fund	-	3,226,239	3,226,239	-
Sub-total operating expenses	-	6,022,309	6,022,309	-
Other & Reserves				
Contribution to Reserves	-	227,609	-	227,609
Sub-total other & reserves	-	227,609	-	227,609
Total expenditures	-	6,249,918	6,022,309	227,609
Net Increase (Decrease)	$ 662,000	$ -	$ 247,349	$ (207,869)

Notes to other supplementary information are an integral part of this schedule.

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
Promotional Fund
Year Ended September 30, 2016

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Occupancy tax proceeds	$ 224,400	$ 250,248	$ 275,072	$ 24,824
Appropriation of fund balance	-	6,000	6,000	-
Interest revenue	2,900	2,695	3,828	1,133
Total revenues	227,300	258,943	284,900	25,957
EXPENDITURES				
Economic development	114,627	114,716	108,337	6,379
Culture & leisure	111,463	111,463	101,416	10,047
Non-departmental	212	6,123	123	6,000
Sub-total operating expenses	226,302	232,302	209,876	22,426
Other & Reserves				
Contribution to Reserves	-	26,641	-	(26,641)
Sub-total other & reserves	-	26,641	-	(26,641)
Total expenditures	226,302	258,943	209,876	(4,215)
Net Increase	$ 998	$ -	$ 75,024	$ 21,742

Notes to other supplementary information are an integral part of this schedule.

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
Donations Fund
Year Ended September 30, 2016

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Contributions				
NRH water bills	$ 52,608	$ 57,183	$ 56,457	$ (726)
Sub-total contributions	52,608	57,183	56,457	(726)
Donations				
Spay/neuter	11,000	13,000	13,809	809
Shelter fund	57,500	21,058	26,391	5,333
Duncan	15,000	15,500	15,500	-
Santa cops	5,000	6,122	8,123	2,001
Sub-total donations	88,500	55,680	63,823	8,143
Proceeds				
Library book sales	9,000	9,000	9,152	152
Sub-total proceeds	9,000	9,000	9,152	152
Other				
Interest revenue	3,900	3,623	5,002	1,379
Other income	63,403	103,291	127,366	24,075
Appropriation of fund balance:				
Teen court	3,000	3,000	3,000	-
Neighborhood services	-	4,969	4,969	-
Library	21,068	19,086	19,086	-
Parks and Recreation	37,986	37,986	37,986	-
Police	3,050	3,409	3,409	-
Sub-total other	132,407	175,364	200,818	25,454
Total revenues	282,515	297,227	330,250	33,023
EXPENDITURES				
Library - book collections	58,865	58,865	57,651	1,214
Neighborhood services				
Animal services	15,500	20,500	13,551	6,949
Keep nrh beautiful	19,969	20,469	11,168	9,301
Municipal court - teen court	7,000	7,000	5,200	1,800
Parks special events and arts	61,000	61,000	53,752	7,248
Police department	35,450	44,472	32,156	12,316
Transfer to capital projects	77,797	-	-	-
Transfer to debt service	-	34,849	34,849	-
Transfer to general fund	-	-	10,000	(10,000)
Total expenditures	275,581	247,155	218,327	28,828
Net Increase	$ 6,934	$ 50,072	$ 111,923	$ 61,851

Notes to other supplementary information are an integral part of this schedule.

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
Special Investigations Fund
Year Ended September 30, 2016

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Forfeited funds	$ 71,000	$ 92,190	$ 112,118	$ 19,928
AFIS reimbursements	13,500	13,500	13,500	-
911 telecom	-	54,950	148,290	93,340
Interest income	4,100	4,100	2,821	(1,279)
Other income	-	61,426	112,175	50,749
Appropriations of fund balance	45,000	128,317	128,317	-
Total revenues	133,600	354,483	517,221	162,738
EXPENDITURES				
Federal forfeited funds	75,000	145,799	86,555	59,244
State forfeited funds	40,000	43,000	40,592	2,408
Local forfeited funds	1,000	62,424	62,382	42
AFIS maintenance & equipment	13,500	20,111	19,446	665
911 telecom	-	-	57,348	(57,348)
MDT	-	13,238	13,238	-
Radio maintenance	-	14,961	14,961	-
Reserve for city hall project:				
911 telecom	-	54,950	90,290	(35,340)
Total expenditures	129,500	354,483	384,812	(30,329)
Net Increase	$ 4,100	$ -	$ 132,409	$ 193,067

Notes to other supplementary information are an integral part of this schedule.

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
Drainage Utility Fund
Year Ended September 30, 2016

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Drainage fees	$ 880,100	$ 861,084	$ 881,379	$ 20,295
Interest income	5,000	5,006	7,418	2,412
Total revenues	885,100	866,090	888,797	22,707
EXPENDITURES				
Transfer to debt service	553,789	553,789	553,789	-
Transfer to capital projects	95,000	195,000	100,000	95,000
Other expenditures	30,000	30,000	30,559	(559)
Contribution to reserves	-	87,301	-	87,301
Total expenditures	678,789	866,090	684,348	181,742
Net Increase (decrease)	$ 206,311	$ -	$ 204,449	$ (159,035)

Notes to other supplementary information are an integral part of this schedule.

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
Crime Control District
Year Ended September 30, 2016

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Sales tax	$ 4,781,717	$ 4,777,046	$ 4,810,105	$ 33,059
Franchise tax	87,711	76,443	76,443	-
Interest income	2,200	1,814	4,347	2,533
SRO Reimbursement (BISD)	198,650	198,650	198,650	-
Miscellaneous revenue	-	39,159	39,159	-
Previous year encumbrances	-	152,219	152,219	-
Total revenues	5,070,278	5,245,331	5,280,923	35,592
EXPENDITURES				
Operating				
Administration	$ 10,000	$ 116,500	$ 115,215	$ 1,285
Administrative services	795,587	915,190	852,120	63,070
Investigations	478,490	474,867	419,162	55,705
Uniform patrol	2,865,959	2,868,797	2,840,031	28,766
Technical services	509,612	505,289	506,928	(1,639)
Property Evidence	193,889	190,589	187,500	3,089
Sub-total operating	4,853,537	5,071,232	4,920,956	150,276
Other & Reserves				
Partner agency funding	59,566	73,566	73,570	(4)
Other	83,034	77,712	77,712	-
Indirect costs	24,375	22,821	22,821	-
Total other & reserves	166,975	174,099	174,103	(4)
Total expenditures	5,020,512	5,245,331	5,095,059	150,272
Net increase	$ 49,766	$ -	$ 185,864	$ 185,864

Notes to other supplementary information are an integral part of this schedule.

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
Traffic Safety Fund
Year Ended September 30, 2016

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Gross fine revenue	$ 990,960	$ 1,119,159	$ 1,322,940	$ 203,781
Interest income	2,100	2,894	5,349	2,455
Sub-total	993,060	1,122,053	1,328,289	206,236
EXPENDITURES				
Contractor payments	612,000	612,000	552,770	59,230
Program administration	197,684	177,763	160,573	17,190
Payment to State	90,638	258,789	275,184	(16,395)
Traffic enforcement	18,100	6,100	6,075	25
Pedestrian safety	14,887	15,850	15,921	(71)
Contribution to reserves	-	51,551	-	51,551
Total expenditures	933,309	1,122,053	1,010,523	111,530
Net increase	$ 59,751	$ -	$ 317,766	$ 94,706

Notes to other supplementary information are an integral part of this schedule.

INTERNAL SERVICE FUNDS

Facility and Construction Services Fund – To account for building maintenance and repair services provided to numerous departments located at various sites throughout the City. Facility and Construction Services Fund operations are financed by charges to user departments.

Fleet Services Fund – To account for the maintenance, repair service, and replacement of vehicles and equipment provided to numerous departments responsible for the operation of City vehicles and equipment. Fleet Services Fund operations are financed by charges to user departments.

Self-Insurance Fund – To account for the payment of substantially all claims except for fire insurance coverage and employee life insurance coverage. Self-Insurance Fund operations are financed by charges to user departments and employee contributions.

Information Services Fund – To account for the acquisition, maintenance, and support of computer and telephone hardware and software. Information Services Fund operations are financed by charges to user departments.

CITY OF NORTH RICHLAND HILLS, TEXAS
Combining Statement of Net Position
Internal Service
Year Ended September 30, 2016

	Facilities and Construction Services	Fleet Services	Self Insurance	Information Technology	Total Internal Service
ASSETS					
Current					
Cash and cash equivalents	$ 543,865	$ 581,042	$ 153,653	$ 527,928	$ 1,806,488
Investments	1,418,365	1,902,973	507,141	1,282,438	5,110,917
Accounts receivable, net of allowance:					
Other	-	21,553	620	36,554	58,727
Interest receivable	1,253	1,681	3,446	1,133	7,513
Prepaid items	2,044	18,743	183,658	139,096	343,541
Inventories, at cost	24,548	97,771	-	-	122,319
Total current assets	1,990,075	2,623,763	848,518	1,987,149	7,449,505
Noncurrent					
Restricted assets:					
Cash and cash equivalents	-	90,947	1,471,570	17,049	1,579,566
Investments	-	-	3,481,886	-	3,481,886
Capital assets, at cost:					
Building and improvements	135,455	-	-	-	135,455
Other improvements	444,297	-	-	602,769	1,047,066
Machinery and equipment	-	7,690,142	17,312	2,160,577	9,868,031
Accumulated depreciation	(392,852)	(4,769,980)	(17,312)	(1,999,223)	(7,179,367)
Net capital assets	186,900	2,920,162	-	764,123	3,871,185
Total noncurrent assets	186,900	3,011,109	4,953,456	781,172	8,932,637
Total assets	2,176,975	5,634,872	5,801,974	2,768,321	16,382,142
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions after measurement date	73,296	85,848	47,227	85,722	292,093
Difference in projected and actual earnings on pension plan investments	234,104	210,679	120,531	275,802	841,116
Total deferred outflows of resources	307,400	296,527	167,758	361,524	1,133,209
LIABILITIES					
Current					
Accounts payable and accrued expenses	181,927	158,121	1,439,736	78,545	1,858,329
Other current liabilities	275	39	14,258	-	14,572
Compensated absences	11,027	8,905	8,957	16,097	44,986
Total current liabilities	193,229	167,065	1,462,951	94,642	1,917,887
Noncurrent					
Compensated absences	58,111	49,492	51,569	88,862	248,034
Other post employment benefits obligation	246,587	270,403	140,172	290,600	947,762
Net pension liability	606,937	651,262	364,342	714,841	2,337,382
Total noncurrent liabilities	911,635	971,157	556,083	1,094,303	3,533,178
Total liabilities	1,104,864	1,138,222	2,019,034	1,188,945	5,451,065
DEFERRED INFLOWS OF RESOURCES					
Difference in expected and actual experience - pension	52,465	48,348	26,215	59,350	186,378
Difference in assumption changes - pension	7,026	6,266	3,657	8,403	25,352
Total deferred outflows of resources	59,491	54,614	29,872	67,753	211,730
NET POSITION					
Net investment in capital assets	186,900	2,920,162	-	764,123	3,871,185
Unrestricted	1,133,120	1,818,401	3,920,826	1,109,024	7,981,371
Total net position	$ 1,320,020	$ 4,738,563	$ 3,920,826	$ 1,873,147	$ 11,852,556

CITY OF NORTH RICHLAND HILLS, TEXAS
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service
Year Ended September 30, 2016

	Facilities and Construction Services	Fleet Services	Self Insurance	Information Technology	Total Internal Service
OPERATING REVENUES					
Internal service revenues					
Risk management	$ -	$ -	$ 10,415,893	$ -	$ 10,415,893
Facilities and fleet management	2,962,340	3,760,105	-	-	6,722,445
Information systems management	-	-	-	2,804,917	2,804,917
Miscellaneous revenues	70,876	7,213	4,424	148,961	231,474
Total operating revenues	3,033,216	3,767,318	10,420,317	2,953,878	20,174,729
OPERATING EXPENSES					
Claims	-	-	11,237,795	-	11,237,795
Contractual services	1,029,994	94,333	420,217	558,823	2,103,367
Personnel services	1,133,565	974,100	540,340	1,244,219	3,892,224
Repairs and maintenance	500,482	180,345	2,279	980,279	1,663,385
Supplies	79,197	773,585	5,266	246,208	1,104,256
Depreciation	38,764	647,744	-	195,301	881,809
Total operating expenses	2,782,002	2,670,107	12,205,897	3,224,830	20,882,836
Operating income (loss)	251,214	1,097,211	(1,785,580)	(270,952)	(708,107)
NONOPERATING REVENUES (EXPENSES)					
Investment income	12,583	18,475	35,995	10,548	77,601
Other income	-	-	153,145	-	153,145
Gain (loss) on disposal of assets	-	45,140	-	(97,692)	(52,552)
Total nonoperating revenues (expenses)	12,583	63,615	189,140	(87,144)	178,194
Income (loss) before transfers	263,797	1,160,826	(1,596,440)	(358,096)	(529,913)
TRANSFERS					
Transfers in	-	50,000	-	250,703	300,703
Transfers out	(466,515)	(658,806)	-	(95,000)	(1,220,321)
Total transfers - net	(466,515)	(608,806)	-	155,703	(919,618)
Change in net position	(202,718)	552,020	(1,596,440)	(202,393)	(1,449,531)
Net position - beginning of year	1,522,738	4,186,543	5,517,266	2,075,540	13,302,087
Net position - end of year	$ 1,320,020	$ 4,738,563	$ 3,920,826	$ 1,873,147	$ 11,852,556

CITY OF NORTH RICHLAND HILLS, TEXAS
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2016

	Facilities and Construction Services	Fleet Services	Self Insurance	Information Technology	Totals
Cash flows from operating activities:					
Receipts from interfund services provided	$ 2,962,340	$ 3,760,105	$ 10,415,893	$ 2,804,917	$ 19,943,255
Other operating revenue	70,474	620	3,804	121,430	196,328
Payments to suppliers	(1,554,081)	(1,005,952)	(11,507,807)	(1,747,658)	(15,815,498)
Payments to employees	(1,041,908)	(902,863)	(490,675)	(1,136,929)	(3,572,375)
Net cash provided by (used for) operating activities	436,825	1,851,910	(1,578,785)	41,760	751,710
Cash flows from noncapital financing activities:					
Insurance recovery proceeds	-	-	153,145	-	153,145
Transfers from other funds	-	50,000	-	250,703	300,703
Transfers to other funds	(466,515)	(658,806)	-	(95,000)	(1,220,321)
Net cash provided by (used for) noncapital and related financing activities	(466,515)	(608,806)	153,145	155,703	(766,473)
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(5,119)	(909,813)	-	3,848	(911,084)
Proceeds from sale of capital assets	-	45,140	-	-	45,140
Net cash provided by (used for) capital and related financing activities	(5,119)	(864,673)	-	3,848	(865,944)
Cash flows from investing activities:					
Purchase of Investments	(1,549,787)	(2,048,518)	(4,433,554)	(1,387,401)	(9,419,260)
Proceeds from the sale of investments	1,529,775	1,693,213	5,171,164	1,222,513	9,616,665
Interest and dividends received	13,603	19,262	40,069	11,268	84,202
Net cash provided by (used for) investing activities	(6,409)	(336,043)	777,679	(153,620)	281,607
Net increase (decrease) in cash and cash equivalents	(41,218)	42,388	(647,961)	47,691	(599,100)
Cash and cash equivalents beginning of year	585,083	629,601	2,273,184	497,286	3,985,154
Cash and cash equivalents end of year	$ 543,865	$ 671,989	$ 1,625,223	$ 544,977	$ 3,386,054
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	$ 251,214	$ 1,097,211	$ (1,785,580)	$ (270,952)	$ (708,107)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	38,764	647,744	-	195,301	881,809
Other income (expense)	(2)	(1)	240	-	237
(Increase) decrease in accounts receivable	498	(6,593)	(620)	(27,531)	(34,246)
(Increase) decrease in inventories	11,248	(12,056)	-	-	(808)
(Increase) decrease in prepaid items	1,646	(18,743)	10,294	16,608	9,805
Increase (decrease) in compensating absences	13,741	2,277	8,011	9,980	34,009
Increase (decrease) in other post employment benefits	35,647	33,061	19,394	44,883	132,985
Increase (decrease) in net pension liability	36,557	32,600	19,032	43,718	131,907
Increase (decrease) in unearned revenues	(900)	-	-	-	(900)
Increase (decrease) in accounts payable	42,700	73,111	147,216	21,044	284,071
Increase (decrease) in accrued liabilities	5,712	3,299	3,228	8,709	20,948
Total adjustments	185,611	754,699	206,795	312,712	1,459,817
Net cash provided by (used for) operating activities	$ 436,825	$ 1,851,910	$ (1,578,785)	$ 41,760	$ 751,710

CITY OF NORTH RICHLAND HILLS, TEXAS
Notes to Other Supplementary Information
September 30, 2016

A. General Debt Service Fund Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Net increase (decrease) to budgetary unreserved undesignated fund balance	$	260,792
The City budgets "Appropriations of Fund Balances" revenues as a inflow of resources but for GAAP purposes these inflows were recognized in prior periods.		(581,736)
Outflows of sources for prepaid expenditures for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expenditure recognition until the period of coverage.		(1,592)
Total "Net Change in Fund Balance" from the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund -- General Debt Service	$	(322,536)

B. Parks and Recreation Development Corporation Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Net increase (decrease) to budgetary unreserved undesignated fund balance	$	827,082
The City budgets specific "Reserves" expenditures as a outflow but in GAAP statements it is not an expenditure: Net Operations from Parks Maintenance, Tennis Center, and Recreation Centre for future capital or operational needs		453,209
Increase (decrease) in investment fair value changes and interest unavailable are not considered a resource/inflow for budgetary recognition		(256)
Increase (decrease) in intergovernmental shared services revenue are not considered a resource/inflow for budgetary recognition because payment for services will be received in subsequent fiscal year.		(95,686)
Increase (decrease) in miscellaneous revenue are not considered a resource/inflow for budgetary recognition because payment for services will be received in subsequent fiscal year.		5,527
Outflows of sources for prepaid expenditures for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expenditure recognition until the period of coverage.		453,553
The City budgets "indirect costs" as an outflow but in GAAP statements it is not an expenditure or outflow source for current year expenditures		(448,405)
The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition		(8,767)
Special funded projects expenditures are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget		(20,470)
Total "Net Change in Fund Balance" from the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund -- Parks and Recreation Development Corporation	$	1,165,787

C. Gas Development Fund Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Net increase (decrease) to budgetary unreserved undesignated fund balance	$	247,349
The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition		(2,796,070)
Increase (decrease) in investment fair value changes and interest unavailable are not considered a resource/inflow for budgetary recognition		(5,838)
Special funded projects inflows/resources are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget		(10,575)
The budgets "advances to other funds" as an ouflow but in GAAP statements it is not an expenditure or outflow source for current year expenditures		3,226,239
Total "Net Change in Fund Balance" from the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds -- Gas Development Fund	$	661,105

D. Promotional Fund Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Net increase (decrease) to budgetary unreserved undesignated fund balance	$	75,024
The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition		(6,000)
Increase (decrease) in investment fair value changes and interest unavailable are not considered a resource/inflow for budgetary recognition		(71)
Outflows of sources for prepaid expenditures for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expenditure recognition until the period of coverage.		1,673
Total "Net Change in Fund Balance" from the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds -- Promotional Fund	$	70,626

E. Donations Fund Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Net increase (decrease) to budgetary unreserved undesignated fund balance	$	111,923
The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition		(68,450)
Increase (decrease) in investment fair value changes and interest unavailable are not considered a resource/inflow for budgetary recognition		(102)
Outflows of sources for prepaid expenditures for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expenditure recognition until the period of coverage.		598
Total "Net Change in Fund Balance" from the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds -- Donations Fund	$	43,969

F. Special Investigation Fund Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Net increase (decrease) to budgetary unreserved undesignated fund balance	$	132,409
The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition		(128,317)
Increase (decrease) in investment fair value changes and interest unavailable are not considered a resource/inflow for budgetary recognition		(837)
Increase (decrease) in miscellaneous revenue are not considered a resource/inflow for budgetary recognition because payment for services will be received in subsequent fiscal year.		(59,084)
Outflows of sources for prepaid expenditures for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expenditure recognition until the period of coverage.		1,040
Special funded projects expenditures are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget		(159,090)
Total "Net Change in Fund Balance" from the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds -- Special Investigation Fund	$	(213,879)

CITY OF NORTH RICHLAND HILLS, TEXAS
Notes to Other Supplementary Information
September 30, 2016

G. Drainage Utility Fund Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Net increase (decrease) to budgetary unreserved undesignated fund balance	$	204,449
Increase (decrease) in investment fair value changes and interest unavailable are not considered a resource/inflow for budgetary recognition		23
Total "Net Change in Fund Balance" from the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds -- Drainage Utility Fund	$	204,472

H. Crime Control District Fund Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Net increase (decrease) to budgetary unreserved undesignated fund balance	$	185,864
The City budgets "appropriations from fund balance" (prior year encumbrance) as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition		(152,219)
Increase (decrease) in investment fair value changes and interest unavailable are not considered a resource/inflow for budgetary recognition		221
Outflows of sources for prepaid expenditures for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expenditure recognition until the period of coverage.		25,343
The City budgets specific "Reserves" expenditures as a outflow but in GAAP statements it is not an expenditure: Investigations		(22,821)
Total "Net Change in Fund Balance" from the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds -- Crime Control District Fund	$	36,388

I. Traffic Safety Fund Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Net increase (decrease) to budgetary unreserved undesignated fund balance	$	317,766
Increase (decrease) in investment fair value changes and interest unavailable are not considered a resource/inflow for budgetary recognition		389
Special funded projects are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget		(53,990)
Total "Net Change in Fund Balance" from the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds -- Traffic Safety Fund	$	264,165

J. Utility Fund Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenses determined in accordance with generally accepted accounting principles follows:

Net increase (decrease) to budgetary net position	$	1,189,050
Depreciation expense is a "GAAP" recognized expense and does not represent an actual outflow of resources in the budgetary appropriations.		(3,406,636)
Certain expenses representing long term liability and the related expense recognition in "GAAP" is not recognized as an actual outflow until resources are disbursed for the activity: Other Post Employment Benefits, Net Pension Liability, and Compensating Balances.		(355,791)
The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition		(2,926,396)
The City budgets "indirect costs" as an outflow but in GAAP statements it is not an expenditure or outflow source for current year expenditures		(1,793,428)

Increase (decrease) in investment fair value changes are not considered a resource/inflow for budgetary recognition	18,850
Gain (loss) on disposal of assets represents "GAAP" non-cash transactions and are not reported in the budgetary basis schedule.	(7,928)
Outflows of resources for prepaid expenses for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expense recognition until the period of coverage.	(43,167)
Outflows of resources for capital expenses for budgetary purposes are immediately recognized as an outflow upon remittance of payment for budgetary purposes. GAAP Statements delay expense recognization until the period of coverage through assessing depreciation.	1,843,277
Outflows of resources that represent debt service payments and related amortized costs for budgetary purposes are recognized as expense in budget basis statements	1,562,150
Inflows of resources that represent accrued revenue and not cash receipts are not recognized as revenues in the budget basis statements.	618,377
Special funded projects are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget	(2,695,517)
Total "Net Change in Net Position from the Statement of Revenues, Expenses, and Changes in Net Position -- Proprietary Funds -- Utility Fund	$ (5,997,159)

K. Aquatic Park Fund Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenses determined in accordance with generally accepted accounting principles follows:

Net increase (decrease) to budgetary net position	$ (388,640)
The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition	(100,000)
Depreciation expense is a "GAAP" recognized expense and does not represent an actual outflow of resources in the budgetary appropriations.	(821,997)
Certain expenses representing long term liability and the related expense recognition in "GAAP" is not recognized as an actual outflow until resources are disbursed for the activity: Other Post Employment Benefits, Net Pension Liability, and Compensating Balances.	(71,907)
Increase (decrease) in investment fair value changes are not considered a resource/inflow for budgetary recognition	(2,255)
Gain (loss) on disposal of assets represents "GAAP" non-cash transactions and are not reported in the budgetary basis schedule.	(20,796)
Outflows of resources for prepaid expenses for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expense recognition until the period of coverage.	2,781,293
Outflows of resources that represent debt service principal payments for budgetary purposes are recognized as expense in budget basis statements	226,769
The City budgets "indirect costs" as an outflow but in GAAP statements it is not an expenditure or outflow source for current year expenditures	288,675
Outflows of resources for prepaid expenses for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expense recognition until the period of coverage	2,191
Special funded projects are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget	(3,142,523)
Total "Net Change in Net Position from the Statement of Revenues, Expenses, and Changes in Net Position -- Proprietary Funds -- Aquatic Park	$ (1,249,190)

CITY OF NORTH RICHLAND HILLS, TEXAS
Notes to Other Supplementary Information
September 30, 2016

L. Golf Fund Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenses determined in accordance with generally accepted accounting principles follows:

Net increase (decrease) to budgetary net position	$	(27,794)
Depreciation expense is a "GAAP" recognized expense and does not represent an actual outflow of resources in the budgetary appropriations.		(335,925)
Outflows for advances given to other funds are not recognized as expense in GAAP statements; only recognized as reduction of an liability on statement of net position and not a transfer out		(232,388)
Increase (decrease) in investment fair value changes are not considered a resource/inflow for budgetary recognition		681
Outflows of resources representing expenses of prior year adjustment are recognized for budgetary purposes as reduction in reserves prior transferred. This amount represents audit adjustments that effect a prior period and prior budgetary period.		138,247
Outflows of resources that represent debt service principal payments for budgetary purposes are recognized as expense in budget basis statements		548,661
Total "Net Change in Net Position from the Statement of Revenues, Expenses, and Changes in Net Position -- Proprietary Funds -- Golf Fund	$	91,482

M. Facilities and Construction Fund Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenses determined in accordance with generally accepted accounting principles follows:

Net increase (decrease) to budgetary net position	$	466,556
Depreciation expense is a "GAAP" recognized expense and does not represent an actual outflow of resources in the budgetary appropriations.		(38,764)
Certain expenses representing long term liability and the related expense recognition in "GAAP" is not recognized as an actual outflow until resources are disbursed for the activity: Other Post Employment Benefits, Net Pension Liability, and Compensating Balances.		(85,945)
Outflows of resources for prepaid expenses for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expense recognition until the period of coverage.		6,343
Increase (decrease) in investment fair value changes are not considered a resource/inflow for budgetary recognition.		(2,304)
The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition.		(532,064)
Special funded projects are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget.		(16,540)
Total "Net Change in Net Position from the Combining Statement of Revenues, Expenses, and Changes in Net Position -- Internal Service Funds -- Facilities and Construction Fund	$	(202,718)

CITY OF NORTH RICHLAND HILLS, TEXAS
Notes to Other Supplementary Information
September 30, 2016

N. Fleet Services Fund Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenses determined in accordance with generally accepted accounting principles follows:

Net increase (decrease) to budgetary net position	$	463,542
Depreciation expense is a "GAAP" recognized expense and does not represent an actual outflow of resources in the budgetary appropriations.		(647,744)
Certain expenses representing long term liability and the related expense recognition in "GAAP" is not recognized as an actual outflow until resources are disbursed for the activity: Other Post Employment Benefits, Net Pension Liability, and Compensating Balances.		(67,938)
Increase (decrease) in investment fair value changes are not considered a resource/inflow for budgetary recognition		(1,529)
Gain (loss) on disposal of assets represents "GAAP" non-cash transactions and are not reported in the budgetary basis schedule		(4,424)
The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition		(129,535)
Resources obtained for special funded projects are appropriated through long range capital improvement budget in which separate from the operating budget		920,855
Outflows of resources for prepaid expenses for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expense recognition until the period of coverage		18,793
Total "Net Change in Net Position from the Combining Statement of Revenues, Expenses, and Changes in Net Position -- Internal Service Funds -- Fleet Fund	$	552,020

O. Self Insurance Fund Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenses determined in accordance with generally accepted accounting principles follows:

Net increase (decrease) to budgetary net position	$	321,864
Certain expenses representing long term liability and the related expense recognition in "GAAP" is not recognized as an actual outflow until resources are disbursed for the activity: Other Post Employment Benefits, Net Pension Liability, and Compensating Balances.		(46,437)
Increase (decrease) in investment fair value changes are not considered a resource/inflow for budgetary recognition		(9,713)
The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition		(1,851,858)
Outflows of resources for prepaid expenses for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expense recognition until the period of coverage		(10,296)
Total "Net Change in Net Position from the Combining Statement of Revenues, Expenses, and Changes in Net Position -- Internal Service Funds -- Self Insurance Fund	$	(1,596,440)

CITY OF NORTH RICHLAND HILLS, TEXAS
Notes to Other Supplementary Information
September 30, 2016

P. Information Systems Fund Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenses determined in accordance with generally accepted accounting principles follows:

Net increase (decrease) to budgetary net position	$	352,183
Depreciation expense is a "GAAP" recognized expense and does not represent an actual outflow of resources in the budgetary appropriations.		(195,301)
Certain expenses representing long term liability and the related expense recognition in "GAAP" is not recognized as an actual outflow until resources are disbursed for the activity: Other Post Employment Benefits, Net Pension Liability, and Compensating Balances.		(98,580)
Increase (decrease) in investment fair value changes are not considered a resource/inflow for budgetary recognition		(1,542)
Gain (loss) on disposal of assets represents "GAAP" non-cash transactions and are not reported in the budgetary basis schedule		(100,873)
Outflows of resources for prepaid expenses for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expense recognition until the period of coverage		(19,043)
The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition		(110,429)
Outflows of resources for prepaid expenses for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expense recognition until the period of coverage		(28,808)
Total "Net Change in Net Position from the Combining Statement of Revenues, Expenses, and Changes in Net Position -- Internal Service Funds -- Information Systems Fund	$	(202,393)

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PROPRIETARY FUNDS OTHER SUPPLEMENTARY INFORMATION

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenses and Changes in Net Position - Budget (Non-GAAP Basis) and Actual
Utility Fund
Year Ended September 30, 2016

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Water sales and charges				
Water sales	$ 19,652,919	$ 19,342,343	$ 18,651,612	$ (690,731)
Water taps	34,200	39,560	52,000	12,440
Water inspection fees	22,000	34,426	44,213	9,787
Sub-total	19,709,119	19,416,329	18,747,825	(668,504)
Sewer sales and charges				
Sewer sales	10,517,612	9,809,543	9,960,496	150,953
Sewer taps	9,700	11,875	14,350	2,475
Sewer inspection fees	16,250	24,200	20,943	(3,257)
Sub-total	10,543,562	9,845,618	9,995,789	150,171
Miscellaneous				
Interest income	88,700	68,840	95,997	27,157
Service charges	100,900	153,400	155,166	1,766
Late charges	476,000	476,000	417,162	(58,838)
Miscellaneous	17,700	49,160	43,632	(5,528)
Joint use reimbursement - Watauga	101,440	101,440	111,265	9,825
Subdivision meter revenue	41,500	54,232	61,903	7,671
Bond Refunding Proceeds	-	792,063	792,063	-
Interfund Loan Repayments	-	3,310,867	3,310,867	-
Sub-total	826,240	5,006,002	4,988,055	(17,947)
Appropriation of fund balance				
Previous year encumbrances	-	2,926,396	2,926,396	-
Sub-total	-	2,926,396	2,926,396	-
Total revenues	$ 31,078,921	$ 37,194,345	$ 36,658,065	$ (536,280)
EXPENSES				
Operating				
Administration	$ 318,735	$ 317,149	$ 311,446	$ 5,703
Development	829,578	840,157	814,543	25,614
Right of way maintenance	233,754	200,000	145,520	54,480
Sub-total	1,382,067	1,357,306	1,271,509	85,797
Water Services				
Water operations	4,686,004	4,519,477	4,101,097	418,380
Purchase of water FTW	4,625,652	4,625,652	4,139,257	486,395
Purchase of water TRA	5,236,000	5,236,000	5,911,008	(675,008)
Sub-total	14,547,656	14,381,129	14,151,362	229,767
Sewer Services				
Sewer operations	1,420,079	1,372,905	1,273,582	99,323
Sewer treatment FTW	1,367,645	1,535,755	1,588,456	(52,701)
Sewer treatment TRA	3,365,042	3,849,110	4,142,146	(293,036)
Sub-total	6,152,766	6,757,770	7,004,184	(246,414)

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenses and Changes in Net Position - Budget (Non-GAAP Basis) and Actual
Utility Fund
Year Ended September 30, 2016

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
Finance/Utility Collections				
Meter reading	476,385	466,895	463,574	3,321
Utility billing / customer service	836,432	851,436	845,117	6,319
Utility collection services	276,711	276,769	276,130	639
Accounting services	388,424	402,125	391,193	10,932
Budget & research	212,697	214,026	211,529	2,497
Sub-total	2,190,649	2,211,251	2,187,543	23,708
Building services	1,752,816	1,752,816	1,752,816	-
Non-departmental	262,951	246,215	178,106	68,109
Sub-total Departments	$ 26,288,905	$ 26,706,487	$ 26,545,520	$ 160,967
OTHER & RESERVES				
Debt service	$ 1,091,530	$ 1,066,480	$ 1,060,260	$ 6,220
Bond Refunding	-	798,283	798,283	-
Franchise fee	905,116	866,271	823,128	43,143
Indirect costs	2,194,830	2,194,830	2,194,830	-
Payment in lieu of taxes	387,493	387,493	387,493	-
Transfer from utility cip reserve to information		-		-
services fund	175,000	175,000	175,000	-
Transfer to equipment services	50,000	50,000	50,000	-
Reserve for capital	-	4,949,501	3,434,501	1,515,000
Total other & reserves	$ 4,803,969	$ 10,487,858	$ 8,923,495	$ 1,564,363
Total expenses	$ 31,092,874	$ 37,194,345	$ 35,469,015	$ 1,725,330
Balance	$ (13,953)	$ -	$ 1,189,050	$ 1,189,050

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenses and Changes in Net Position - Budget (Non-GAAP Basis) and Actual
Aquatic Park
Year Ended September 30, 2016

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Operating				
Admissions	$ 3,442,029	$ 3,307,047	$ 2,733,058	$ (573,989)
Food and beverage	891,635	929,685	837,352	(92,333)
Merchandise	142,087	144,425	143,644	(781)
Rentals	161,646	154,350	142,436	(11,914)
Aquatic classes / special events	-	1,661	2,096	435
Sub-total	4,637,397	4,537,168	3,858,586	(678,582)
Other revenues				
Interest income	12,600	8,455	12,403	3,948
Bond Refunding Proceeds	-	206,912	206,912	
Other	17,200	198,294	149,139	(49,155)
Sub-total	29,800	413,661	368,454	(45,207)
Sub-total revenues	4,667,197	4,950,829	4,227,040	(723,789)
Appropriation of fund balance				
Appropriation of fund balance	-	100,000	100,000	-
Sub-total	-	100,000	100,000	-
Total revenues	$ 4,667,197	$ 5,050,829	$ 4,327,040	$ (723,789)
EXPENSES				
Operating				
General services & utilities	$ 903,246	$ 878,335	$ 850,094	$ 28,241
Public grounds / aquatics / maintenance	1,226,141	1,237,165	1,189,848	47,317
Business & office administration	589,995	591,149	608,201	(17,052)
Gift shop / concessions	595,592	604,040	570,539	33,501
Sales / special events / admissions	270,282	282,954	254,938	28,016
Sub-total	3,585,256	3,593,643	3,473,620	120,023
OTHER & RESERVES				
Debt service	$ 693,718	$ 653,960	$ 461,386	$ 192,574
Bond Refunding	-	209,105	209,105	-
Transfer out - General Fund	158,696	158,696	158,696	-
Transfer out - PARD	81,248	81,248	81,248	-
Indirect costs	-	288,675	288,675	-
Reserve for:				
Infrastructure & major repairs	104,436	23,981	-	23,981
Non-departmental	43,843	41,521	42,950	(1,429)
Total other & reserves	$ 1,081,941	$ 1,457,186	$ 1,242,060	$ 215,126
Total expenses	$ 4,667,197	$ 5,050,829	$ 4,715,680	$ 335,149
Balance	$ -	$ -	$ (388,640)	$ (388,640)

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenses and Changes in Net Position - Budget (Non-GAAP Basis) and Actual
Golf
Year Ended September 30, 2016

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Green fees	$ 970,924	$ 994,482	$ 971,821	$ (22,661)
Pro shop	375,856	394,345	400,426	6,081
Driving range	80,500	86,555	86,163	(392)
Carts	391,436	415,119	401,580	(13,539)
Food & beverage	614,512	695,415	728,709	33,294
General & administrative	-	-	1,167	1,167
Other revenues	1,100	863	39,018	38,155
Total revenues	2,434,328	2,586,779	2,628,884	42,105
EXPENSES				
Operating				
Pro shop	$ 162,461	$ 162,500	$ 132,812	$ 29,688
Pro shop: cost of goods sold	143,140	152,140	154,542	(2,402)
Driving range	10,900	11,200	10,446	754
Golf carts	228,050	229,000	230,142	(1,142)
Course maintenance	594,894	599,000	598,974	26
Food & beverage	250,355	262,000	307,435	(45,435)
Food & beverage: cost of goods sold	191,434	194,186	208,740	(14,554)
Sales & membership	54,370	56,500	51,649	4,851
General & administrative	243,933	252,000	290,979	(38,979)
Clubhouse	123,894	118,000	115,306	2,694
Management fees	108,891	113,780	146,353	(32,573)
Capital	62,400	62,400	67,297	(4,897)
Sub-total	2,174,722	2,212,706	2,314,675	(101,969)
OTHER & RESERVES				
Debt service	$ 111,600	$ 111,600	$ 109,615	$ 1,985
Payment to interdepartmental loans:				
Water Fund	37,232	-	-	-
General fund	110,528	232,388	232,388	-
Reserve for Equipment/CIP	-	30,085	-	30,085
Total other & reserves	$ 259,360	$ 374,073	$ 342,003	$ 32,070
Total expenses	$ 2,434,082	$ 2,586,779	$ 2,656,678	$ (69,899)
Balance	$ 246	$ -	$ (27,794)	$ (27,794)

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenses and Changes in Net Position - Budget (Non-GAAP Basis) and Actual
Facilities and Construction
Year Ended September 30, 2016

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Charges for service				
Transfer from:				
General fund	$ 848,774	$ 848,774	$ 848,774	$ -
Parks development fund	360,750	383,940	360,750	(23,190)
Utility Fund	1,752,816	1,752,816	1,752,816	-
Sub-total	2,962,340	2,985,530	2,962,340	(23,190)
Other revenues				
Interest income	11,800	10,875	14,887	4,012
Rent from rental properties	78,000	65,754	70,785	5,031
Other income	13,500	-	91	91
Sub-total	103,300	76,629	85,763	9,134
Sub-total revenues	3,065,640	3,062,159	3,048,103	(14,056)
Appropriation of fund balance				
Building services fund reserves	15,356	532,064	532,064	-
Sub-total	15,356	532,064	532,064	-
Total revenues	$ 3,080,996	$ 3,594,223	$ 3,580,167	$ (14,056)
EXPENSES				
General services	$ 330,194	$ 330,548	$ 329,806	$ 742
Building services	2,465,505	2,638,897	2,188,912	449,985
Rental property program	56,910	137,560	115,787	21,773
Transfer to capital budget	165,000	439,116	439,116	-
Sub-total	3,017,609	3,546,121	3,073,621	472,500
OTHER & RESERVES				
Transfer to debt service	$ 27,399	$ 27,399	$ 27,399	$ -
Other	14,898	12,591	12,591	-
Reserve for rental property	21,090	8,112	-	8,112
Total other & reserves	$ 63,387	$ 48,102	$ 39,990	$ 8,112
Total expenses	$ 3,080,996	$ 3,594,223	$ 3,113,611	$ 480,612
Balance	$ -	$ -	$ 466,556	$ 466,556

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenses and Changes in Net Position - Budget (Non-GAAP Basis) and Actual
Fleet Services
Year Ended September 30, 2016

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Charges for service				
Transfer from:				
General fund	$ 1,273,468	$ 1,273,468	$ 1,273,471	$ 3
Utility fund	1,873,949	1,873,949	1,873,949	-
Utility CIP / utility customers	274,931	274,931	274,931	-
Crime control district	162,310	162,310	162,310	-
Parks development fund	137,085	137,085	137,085	-
Other funds	38,360	38,360	38,360	-
Sub-total	3,760,103	3,760,103	3,760,106	3
Other revenues				
Interest income	14,300	13,823	20,004	6,181
Sale of city property	25,000	37,434	49,564	12,130
Other income	32,090	7,660	7,212	(448)
Transfer from general fund	-	-	-	-
Transfer from utility fund	50,000	50,000	50,000	-
Sub-total	121,390	108,917	126,780	17,863
Sub-total revenues	3,881,493	3,869,020	3,886,886	17,866
Appropriation of fund balance				
Equipment service fund reserves	50,000	129,535	129,535	-
Sub-total	50,000	129,535	129,535	-
Total revenues	$ 3,931,493	$ 3,998,555	$ 4,016,421	$ 17,866
EXPENSES				
General services	$ 325,187	$ 232,434	$ 224,090	$ 8,344
Equipment services operations	1,624,748	1,603,069	1,376,118	226,951
Fire fleet maintenance	302,432	303,997	259,683	44,314
Equipment purchases	675,660	719,743	677,721	42,022
Fire vehicles/equipment	-	-	-	-
Police vehicles/equipment	429,347	468,374	344,330	124,044
Sub-total	3,357,374	3,327,617	2,881,941	445,676
OTHER & RESERVES				
Debt service	$ 480,406	$ 480,406	$ 480,406	$ -
Other	14,439	190,532	190,532	-
Equipment services reserves	50,000	-	-	-
Total other & reserves	$ 544,845	$ 670,938	$ 670,938	$ -
Total expenses	$ 3,902,219	$ 3,998,555	$ 3,552,879	$ 445,676
Balance	$ 29,274	$ -	$ 463,542	$ 463,542

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenses and Changes in Net Position - Budget (Non-GAAP Basis) and Actual
Self Insurance Fund
Year Ended September 30, 2016

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Allocations				
Health/medical	$ 9,632,358	$ 9,632,358	$ 9,767,978	$ 135,620
Worker's compensation	500,390	500,390	-	(500,390)
Administration allocation	505,173	505,173	1,005,563	500,390
Other insurance	557,920	557,920	567,049	9,129
Sub-total	11,195,841	11,195,841	11,340,590	144,749
Other revenues				
Interest income	48,445	37,458	45,708	8,250
Other income	95,800	141,686	157,568	15,882
Expenditure reimbursement	200,000	413,366	693,192	279,826
Sub-total	344,245	592,510	896,469	303,959
Sub-total revenues	11,540,086	11,788,351	12,237,059	448,708
Appropriation of fund balance				
Health claim offset (errp funds)	100,000	1,851,858	1,851,858	-
Sub-total	100,000	1,851,858	1,851,858	-
Total revenues	$ 11,640,086	$ 13,640,209	$ 14,088,917	$ 448,708
EXPENSES				
Health/medical	$ 9,832,358	$ 11,743,028	$ 11,885,570	$ (142,542)
Worker's compensation	583,470	583,470	605,035	(21,565)
Personnel expenses	470,025	471,165	470,918	247
Other insurance	472,920	519,746	484,378	35,368
Other expenses	95,800	137,800	133,194	4,606
Life insurance premium	85,000	85,000	87,958	(2,958)
Sub-total	$ 11,539,573	$ 13,540,209	$ 13,667,053	$ (126,844)
OTHER & RESERVES				
Retiree health care fund reserve	$ 100,000	$ 100,000	$ 100,000	$ -
Total other & reserves	$ 100,000	$ 100,000	$ 100,000	$ -
Total expenses	$ 11,639,573	$ 13,640,209	$ 13,767,053	$ (126,844)
Balance	$ 513	$ -	$ 321,864	$ 321,864

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenses and Changes in Net Position - Budget (Non-GAAP Basis) and Actual
Information Technology
Year Ended September 30, 2016

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Telecommunications				
Transfer from:				
General fund	$ 337,942	$ 337,942	$ 337,942	$ -
Park Fund	34,007	34,007	34,007	-
Crime control district	27,922	27,922	27,922	-
Utility fund	85,226	85,226	85,226	-
Other funds	61,220	61,220	61,212	(8)
Sub-total	546,317	546,317	546,309	(8)
Computers:				
Transfer from:				
General fund	$ 979,436	$ 979,436	$ 979,436	$ -
Park Fund	107,489	107,489	107,489	-
Crime control district	179,640	179,640	179,640	-
Utility fund	699,831	699,831	699,831	-
Other funds	295,212	295,212	292,212	(3,000)
Sub-total	2,261,608	2,261,608	2,258,608	(3,000)
Other revenues				
Interest income	11,200	8,224	12,090	3,866
Transmitter lease	145,012	145,012	145,073	61
Other income	14,903	14,903	7,069	(7,834)
Transfer from general fund	75,703	75,703	75,703	-
Transfer from utility fund	175,000	175,000	175,000	-
Sub-total	421,818	418,842	414,935	(3,907)
Sub-total revenues	3,229,743	3,226,767	3,219,852	(6,915)
Appropriation of fund balance				
Appropriation of information systems reserves	-	110,429	110,429	-
Sub-total	-	110,429	110,429	-
Total revenues	$ 3,229,743	$ 3,337,196	$ 3,330,281	$ (6,915)
EXPENSES				
General services	$ 254,881	$ 256,317	$ 252,128	$ 4,189
Major computer systems	330,392	323,147	318,606	4,541
Microcomputer systems	729,128	740,107	680,208	59,899
Telecommunications	378,640	559,337	458,954	100,383
Data network	651,668	747,476	647,639	99,837
GIS System	182,804	178,513	161,929	16,584
Public safety	464,333	408,518	355,379	53,139
Sub-total	2,991,846	3,213,415	2,874,841	338,574
OTHER & RESERVES				
Other	10,387	8,257	8,257	-
Transfer Out	-	95,000	95,000	-
Reserve for system improvements	227,510	20,524	-	20,524
Total other & reserves	$ 237,897	$ 123,781	$ 103,257	$ 20,524
Total expenses	$ 3,229,743	$ 3,337,196	$ 2,978,098	$ 359,098
Balance	$ -	$ -	$ 352,183	$ 352,183

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Statistical Section

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

CITY OF NORTH RICHLAND HILLS, TEXAS
Net Position by Component

(Unaudited)

	Fiscal Year				
	2016	**2015 (1)**	**2014**	**2013**	**2012**
Governmental Activities					
Net investment in capital assets	$ 199,625,197	$ 196,388,094	$ 196,926,762	$ 205,397,867	$ 205,162,006
Restricted	4,005,996	3,451,280	4,115,704	4,634,803	4,253,430
Unrestricted	28,160,118	30,601,993	39,299,589	26,228,262	23,572,411
Total net position	231,791,311	230,441,367	240,342,055	236,260,932	232,987,847
Business-type Activities					
Net investment in capital assets	54,387,271	57,335,778	58,375,965	62,044,064	62,615,382
Restricted	3,507,899	4,153,891	3,788,127	3,762,460	2,710,553
Unrestricted	13,365,978	17,209,164	22,414,369	20,753,387	22,957,383
Total net position	71,261,148	78,698,833	84,578,461	86,559,911	88,283,318
Primary Government					
Net investment in capital assets	254,012,468	253,723,872	255,302,727	267,441,931	267,777,388
Restricted	7,513,895	7,605,171	7,903,831	8,397,263	6,963,983
Unrestricted	41,526,096	47,811,157	61,713,958	46,981,649	46,529,794
Total net position	$ 303,052,459	$ 309,140,200	$ 324,920,516	$ 322,820,843	$ 321,271,165

(1) Amounts for 2015 were restated as per GASB 68

Table 1

2011	2010	2009	2008	2007
$ 178,349,544	$ 164,973,337	$ 142,066,447	$ 129,533,935	$ 128,290,273
3,368,190	3,715,127	4,693,345	3,984,364	3,270,409
37,099,102	35,253,260	52,082,125	54,146,336	44,787,548
218,816,836	203,941,724	198,841,917	187,664,635	176,348,230
65,810,811	61,160,189	62,354,993	60,828,610	65,485,796
2,600,187	2,610,287	3,018,779	2,709,713	2,937,027
21,455,781	21,724,799	25,309,106	29,018,350	24,779,076
89,866,779	85,495,275	90,682,878	92,556,673	93,201,899
244,160,355	226,134,526	204,421,440	190,362,545	193,776,069
5,968,377	6,325,414	7,712,124	6,694,077	6,207,436
58,554,883	56,978,925	77,391,231	83,164,686	69,566,624
$ 308,683,615	$ 289,438,865	$ 289,524,795	$ 280,221,308	$ 269,550,129

CITY OF NORTH RICHLAND HILLS, TEXAS
Change in Net Position

(Unaudited)

	Fiscal Year				
	2016	2015	2014	2013	2012
Expenses					
Governmental activities:					
General government	$ 17,381,050	$ 11,393,967	$ 11,226,130	$ 10,656,322	$ 10,399,845
Public safety	36,372,485	31,515,975	31,035,115	30,611,650	28,881,714
Culture and recreation	12,638,389	12,542,034	11,931,205	11,633,882	11,679,786
Public works	9,569,723	8,958,913	8,962,500	8,398,711	7,794,339
Interest and other fees	4,016,128	4,488,461	3,915,632	3,673,780	3,453,283
Total governmental activities	79,977,775	68,899,350	67,070,582	64,974,345	62,208,967
Business-type activities:					
Utility	31,490,416	30,228,765	28,066,386	27,623,220	26,642,141
Golf course	5,006,324	4,354,652	2,433,004	2,566,632	2,429,973
Aquatic park	2,465,475	2,394,132	4,542,966	4,749,688	4,753,949
Interest and other fees	-	-	-	-	-
Total business-type activities	38,962,215	36,977,549	35,042,356	34,939,540	33,826,063
Total primary government	118,939,990	105,876,899	102,112,938	99,913,885	96,035,030
Program Revenues					
Governmental activities:					
Charges for services					
General government	4,158,829	5,145,175	5,521,811	5,497,050	5,490,245
Public safety	3,486,887	3,894,194	3,655,306	4,204,508	3,426,008
Culture and recreation	3,246,982	3,104,181	3,100,292	3,001,249	2,381,024
Public works	979,812	1,063,766	1,136,920	937,102	932,819
Operating grants and contributions	3,336,301	2,966,484	2,826,280	2,545,158	1,833,138
Capital grants and contributions	4,575,258	478,587	2,676,372	2,938,951	7,401,996
Total governmental activities	19,784,069	16,652,387	18,916,981	19,124,018	21,465,230
Business-type activities:					
Charges for services					
Utility	30,544,439	29,826,840	30,483,178	30,160,950	28,445,746
Golf course	4,005,048	4,237,734	2,314,514	2,371,010	2,443,865
Aquatic park	2,552,175	2,335,223	4,019,970	4,377,388	4,548,828
Operating grants and contributions	-	-	84,842	138,831	80,660
Capital grants and contributions	-	-	-	7,291	50,744
Total business-type activities	37,101,662	36,399,797	36,902,504	37,055,470	35,569,843
Total primary government	56,885,731	53,052,184	55,819,485	56,179,488	57,035,073
Net (Expense) Revenue					
Governmental activities	(60,193,706)	(52,246,963)	(48,153,601)	(45,850,327)	(40,743,737)
Business-type activities	(1,860,553)	(577,752)	1,860,148	2,115,930	1,743,780
Total primary government	$ (62,054,259)	$ (52,824,715)	$ (46,293,453)	$ (43,734,397)	$ (38,999,957)

Table 2

2011	2010	2009	2008	2007
$ 9,886,731	$ 14,653,747	$ 16,355,871	$ 9,379,422	$ 8,461,142
28,512,136	26,172,292	27,772,668	25,791,827	23,265,259
9,352,354	9,468,346	10,718,579	7,973,359	7,327,532
7,679,001	8,388,531	2,126,721	5,748,315	7,799,706
2,108,277	1,761,128	2,269,541	2,302,096	2,561,837
57,538,499	60,444,044	59,243,380	51,195,019	49,415,476
27,981,025	27,313,424	25,121,565	27,329,181	23,154,259
2,227,315	2,236,113	2,217,868	2,302,670	2,247,272
4,507,561	4,188,892	4,105,695	3,774,757	3,433,492
-	-	-	433,588	-
34,715,901	33,738,429	31,445,128	33,840,196	28,835,023
92,254,400	94,182,473	90,688,508	85,035,215	78,250,499
5,466,876	8,619,557	4,547,658	9,333,482	6,505,029
2,668,111	2,918,356	4,922,180	2,995,693	1,718,460
858,241	909,267	1,446,132	2,517,122	1,124,777
857,809	839,309	1,896,764	2,355,161	1,179,302
879,524	964,914	1,142,243	353,816	1,028,853
17,644,326	6,806,586	11,341,668	304,514	410,297
28,374,887	21,057,989	25,296,645	17,859,788	11,966,718
28,921,168	24,324,685	25,060,898	26,349,559	21,630,336
2,324,118	2,264,256	2,509,577	2,571,409	2,298,065
4,587,899	4,090,087	3,858,389	3,943,288	3,916,691
-	-	-	-	-
4,643,096	271,624	-	-	599,983
40,476,281	30,950,652	31,428,864	32,864,256	28,445,075
68,851,168	52,008,641	56,725,509	50,724,044	40,411,793
(29,163,612)	(39,386,055)	(33,946,735)	(33,335,231)	(37,448,758)
5,760,380	(2,787,777)	(16,264)	(975,940)	(389,948)
$ (23,403,232)	$ (42,173,832)	$ (33,962,999)	$ (34,311,171)	$ (37,838,706)

continued

CITY OF NORTH RICHLAND HILLS, TEXAS
Changes in Net Position

(Unaudited)

	Fiscal Year				
	2016	2015	2014	2013	2012
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property	$ 27,060,196	$ 26,099,238	$ 24,903,041	$ 24,126,068	$ 22,222,620
Sales	19,324,022	18,571,502	18,007,872	17,359,807	16,974,086
Mixed beverage	139,062	138,100	129,512	117,223	101,724
Franchise	4,437,141	4,502,303	4,332,756	4,166,579	4,269,229
Occupancy	275,072	232,793	206,930	221,003	210,324
Unrestricted investment earnings	522,485	514,062	320,460	258,705	300,928
Special items	-	-	-	-	-
Miscellaneous	4,077,647	188,123	142,074	205,445	288,093
Transfers	5,708,025	3,973,821	4,162,160	3,674,512	3,384,630
Total governmental activities	61,543,650	54,219,942	52,204,805	50,129,342	47,751,634
Business-type activities:					
Unrestricted investment earnings	127,777	119,568	20,007	80,950	50,479
Miscellaneous	3,116	35,052	300,555	5,380	6,909
Transfers	(5,708,025)	(3,973,821)	(4,162,160)	(3,674,512)	(3,384,630)
Total business-type activities	(5,577,132)	(3,819,201)	(3,841,598)	(3,588,182)	(3,327,242)
Total primary government	55,966,518	50,400,741	48,363,207	46,541,160	44,424,392
Changes in Net Position					
Governmental activities	1,349,944	1,972,979	4,051,204	4,279,015	7,007,897
Business-type activities	(7,437,685)	(4,396,953)	(1,981,450)	(1,472,252)	(1,583,462)
Total primary government	$ (6,087,741)	$ (2,423,974)	$ 2,069,754	$ 2,806,763	$ 5,424,435

Table 2

2011	2010	2009	2008	2007
$ 19,339,750	$ 19,909,976	$ 20,605,670	$ 19,248,707	$ 18,663,482
16,645,412	16,428,281	16,058,728	17,445,806	16,865,282
128,007	118,253	117,757	161,783	129,860
4,329,500	3,956,663	3,802,559	4,604,523	4,450,441
238,410	240,387	152,220	260,319	284,099
495,386	588,866	1,611,632	2,245,479	2,757,208
-	-	-	196,320	1,499,140
1,271,555	553,412	188,512	477,026	651,376
1,590,704	2,690,024	2,586,937	569,227	712,782
44,038,724	44,485,862	45,124,015	45,209,190	46,013,670
171,125	236,674	740,393	878,795	1,330,781
30,703	53,524	(10,986)	8,962	-
(1,590,704)	(2,690,024)	(2,586,937)	(557,044)	(712,782)
(1,388,876)	(2,399,826)	(1,857,530)	330,713	617,999
42,649,848	42,086,036	43,266,485	45,539,903	46,631,669
14,875,112	5,099,807	11,177,280	11,873,959	8,564,912
4,371,504	(5,187,603)	(1,873,794)	(645,227)	228,051
$ 19,246,616	$ (87,796)	$ 9,303,486	$ 11,228,732	$ 8,792,963

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CITY OF NORTH RICHLAND HILLS, TEXAS **Table 3**
Fund Balance - Governmental Funds

(Unaudited)

	Fiscal Year					
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
General Fund						
Nonspendable	$ 134,812	$ 341,273	$ 450,459	$ 669,275	$ 707,569	$ 926,707
Restricted	572,174	567,522	476,163	1,123,587	868,715	653,526
Committed	-	-	-	-	-	-
Assigned	705,694	929,092	3,811,011	3,963,333	3,759,566	1,848,329
Unassigned	8,117,775	9,457,571	9,070,595	9,186,072	8,992,908	9,838,310
Total General Fund	9,530,455	11,295,458	13,808,228	14,942,267	14,328,758	13,266,872
All Other Governmental Funds						
Nonspendable	51,958	33,195	50,288	27,002	47,202	30,308
Restricted	29,505,140	44,653,934	74,611,779	63,631,314	60,696,117	30,997,610
Committed	2,067,819	1,565,680	1,070,103	4,161,319	3,622,301	6,221,018
Assigned	22,476,772	19,075,193	10,674,838	17,280,746	16,333,423	6,480,459
Unassigned	-	(406,809)	-	-	-	-
Total all other governmental funds	54,101,689	64,921,193	86,407,008	85,100,381	80,699,043	43,729,395
Total all governmental funds	$ 63,632,144	$ 76,216,651	$ 100,215,236	$ 100,042,648	$ 95,027,801	$ 56,996,267

Notes: GASB 54 Fund Balance reporting was implemented in 2011.

CITY OF NORTH RICHLAND HILLS, TEXAS
Changes in Fund Balance - Governmental Funds
Last Ten Fiscal Years

	Fiscal Year					
	2016	2015	2014	2013	2012	2011
Revenues						
Taxes	$ 51,253,936	$ 49,541,169	$ 47,625,477	$ 45,990,682	$ 43,777,983	$ 40,681,079
Licenses and permits	2,534,768	1,520,086	1,632,278	1,764,004	1,543,875	1,375,742
Charges for services	6,027,624	5,904,848	6,681,429	6,800,050	6,715,031	6,076,625
Gas utility leases and royalties	263,932	664,788	1,187,340			
Fines	1,892,511	2,222,995	1,990,953	2,424,064	2,421,696	2,665,135
Civil citations	1,322,940	1,226,567	990,714	923,282	778,393	674,745
Contributions	1,795,872	277,972	199,825	140,385	176,740	187,813
Special assessments	3,755	12,095	-	10,116	200	8,748
Investment income	475,680	437,668	319,622	177,178	415,326	383,453
Intergovernmental	6,121,987	4,305,248	5,072,166	4,467,635	5,732,323	9,070,672
Forfeitures	112,118	67,598	107,275	323,285	138,604	183,295
Developer contributions	-	-	600,000			
Miscellaneous	366,569	263,251	388,858	1,318,985	1,363,579	445,214
Total revenues	72,171,692	66,444,285	66,795,937	64,339,666	63,063,750	61,752,521
Expenditures						
General government	9,965,076	9,299,236	10,155,142	10,673,511	10,829,793	10,311,297
Public safety	31,277,423	30,050,383	29,022,814	28,317,163	26,959,990	25,934,692
Culture and recreation	9,634,940	9,534,702	9,231,503	9,290,204	9,163,107	7,453,931
Public works	3,088,996	3,024,822	2,924,516	3,563,149	3,601,659	2,416,186
Capital outlay	27,524,601	55,831,018	30,729,875	10,208,747	15,945,071	15,475,441
Debt service						
Principal retirement	11,187,728	9,999,376	8,578,960	8,523,434	8,846,947	8,187,696
Interest and fiscal charges	4,327,617	4,506,910	3,924,385	3,659,348	3,092,172	2,194,444
Total expenditures	97,006,381	122,246,447	94,567,195	74,235,556	78,438,739	71,973,687
Excess (deficiency) of revenues over expenditures	(24,834,689)	(55,802,162)	(27,771,258)	(9,895,890)	(15,374,989)	(10,221,166)
Other Financing Sources (Uses)						
Issuance of debt	1,850,000	22,215,000	24,360,000	9,845,000	26,224,251	7,315,000
Premium on issuance of debt	97,212	3,265,946	310,000	300,486	546,164	358,270
Proceeds from refunding of debt	2,006,810	10,416,576	3,936,985	-	3,699,388	-
Payment to refunded bond escrow agent	(2,025,720)	(10,416,576)	(3,936,985)	-	(3,809,076)	-
Insurance recovery proceeds	-	-	-	-	-	-
Proceeds from sale of assets	3,977,054	136,558	19,500	799,045	3,145,280	806,479
Payment in lieu of taxes	-	-	-	-	-	-
Transfers in	19,233,421	12,337,451	16,597,422	7,782,662	8,705,604	5,659,688
Transfers out	(12,888,595)	(6,151,378)	(13,343,076)	(3,816,456)	(4,842,779)	(4,304,576)
Total other financing sources (uses)	12,250,182	31,803,577	27,943,846	14,910,737	33,668,832	9,834,861
Net change in fund balances	$ (12,584,507)	$ (23,998,585)	$ 172,588	$ 5,014,847	$ 18,293,843	$ (386,305)
Debt service as a percentage of noncapital expenditures	20.8%	20.9%	18.9%	19.0%	19.1%	18.4%

Table 4

2010	2009	2008	2007
$ 40,842,538	$ 40,736,934	$ 41,721,138	$ 40,393,165
1,148,594	988,020	1,705,703	1,526,636
7,588,891	6,562,241	6,461,012	6,335,104
2,631,813	2,677,901	2,394,920	2,064,187
726,274	999,584	825,191	-
192,501	160,194	196,320	170,326
-	276,475	154,125	28,225
538,193	1,250,127	1,678,921	2,258,877
3,188,918	2,477,191	1,200,491	1,267,839
232,054	146,830	142,874	74,448
1,876,282	517,492	6,634,802	939,241
58,966,058	56,792,989	63,115,497	55,058,048
10,435,250	9,459,393	9,054,489	8,607,293
24,697,961	25,262,159	26,051,508	23,414,877
7,344,261	8,545,815	7,241,596	6,684,263
2,518,081	2,478,800	2,663,001	2,522,751
14,301,095	10,506,569	5,137,596	3,742,378
7,115,319	5,699,394	6,188,393	6,697,217
2,161,325	2,048,696	2,225,585	2,281,930
68,573,292	64,000,826	58,562,168	53,950,709
(9,607,234)	(7,207,837)	4,553,329	1,107,339
9,186,475	8,503,525	4,465,000	2,185,000
42,075	242	-	-
-	-	-	5,085,000
-	-	-	(5,075,787)
-	-	-	282,000
34,678	188,512	16,353	9,864
-	-	355,004	-
8,158,092	9,274,945	5,918,639	5,812,148
(7,540,830)	(7,759,444)	(5,899,649)	(5,990,349)
9,880,490	10,207,780	4,855,347	2,307,876
$ 273,256	$ 2,999,943	$ 9,408,676	$ 3,415,215
17.1%	14.5%	15.7%	17.9%

CITY OF NORTH RICHLAND HILLS, TEXAS
Appraised and Taxable Value of Property
Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Appraised Residential Property (1)	Appraised Commercial Property	Appraised Industrial Property	Appraised Other Property (2)
2007	$ 2,322,672,063	$ 706,800,208	$ 24,219,035	$ 432,473,733
2008	2,597,760,103	1,221,122,848	25,008,737	8,474,351
2009	2,643,899,600	1,223,438,996	22,507,047	9,166,448
2010	2,647,640,376	1,208,449,067	16,397,636	16,439,434
2011	2,761,524,503	1,290,764,397	23,749,165	13,867,550
2012	2,771,215,853	1,314,489,854	24,818,749	21,212,859
2013	2,785,739,578	1,381,473,075	24,346,385	47,706,246
2014	2,868,511,402	1,441,819,516	25,428,750	40,136,107
2015	3,051,185,373	1,493,156,269	27,110,792	49,727,661
2016	3,117,914,468	1,538,511,112	19,220,094	46,060,377

Source: 2007-2015 - July 25th Tarrant Appraisal District Certified Tax Roll and City budget
2016 - December Tarrant Appraisal District Certified Tax Roll and City budget

(1) Due to a change in Tarrant Appraisal District, the structure of the information presented in the July Certified Tax Roll changed beginning in 2008.

(2) This category includes properties under protest with the appraisal review board and properties classified as incomplete by Tarrant Appraisal District at the time NRH City Council approves the Tax Rolls for the budget year. The net taxable values are those approved by City Council by resolution.

Table 5

Personal Property	Estimate for ARB & Incomplete	Less: Tax-Exempt Property	Net Taxable Value	Total Direct Tax Rate
$ 342,337,515	$ -	$ 421,361,355	$ 3,407,141,199	0.57000
318,594,946	85,308,581	681,860,502	3,574,409,064	0.57000
331,545,812	194,478,290	665,551,062	3,759,485,131	0.57000
311,291,262	268,882,950	718,673,173	3,750,427,552	0.57000
302,449,010	89,691,395	879,728,309	3,602,317,711	0.57000
302,955,622	131,117,657	947,626,573	3,618,184,021	0.57000
312,039,668	84,494,809	903,068,001	3,732,731,760	0.61000
311,311,919	90,219,997	936,363,242	3,841,064,449	0.61000
324,807,300	66,663,269	956,622,434	4,056,028,230	0.61000
326,962,414	173,753,349	1,072,233,887	4,150,187,927	0.61000

CITY OF NORTH RICHLAND HILLS, TEXAS
Property Tax Rates - Direct and Overlapping Governments
(per $100 assessed value)

(Unaudited)

	City of North Richland Hills		
Fiscal Year	General fund (2)	Debt service fund (2)	Total (2)
2007	0.34695	0.22305	0.57000
2008	0.34241	0.22759	0.57000
2009	0.33875	0.23125	0.57000
2010	0.35412	0.21588	0.57000
2011	0.37022	0.19978	0.57000
2012	0.35642	0.21358	0.57000
2013	0.35108	0.25892	0.61000
2014	0.34904	0.26096	0.61000
2015	0.35058	0.25942	0.61000
2016	0.36473	0.24527	0.61000

Sources: (1) Tarrant County.
(2) City records.

Table 6

Junior college (1)	Birdville school district (1)	Hospital (1)	County (1)	Total
0.13938	1.56500	0.23540	0.27150	2.78128
0.13938	1.40500	0.23040	0.26650	2.61128
0.13796	1.41000	0.22790	0.26400	2.60986
0.13767	1.40500	0.22790	0.26400	2.60457
0.13764	1.42500	0.22790	0.26400	2.62454
0.14897	1.43500	0.22790	0.26400	2.64587
0.14897	1.43500	0.22790	0.26400	2.68587
0.14950	1.43500	0.22790	0.26400	2.68640
0.14950	1.43500	0.22790	0.26400	2.68640
0.14950	1.45390	0.22790	0.26400	2.70530

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CITY OF NORTH RICHLAND HILLS, TEXAS **Table 7**
Principal Taxpayers

(Unaudited)

Year Ended September 30, 2016

Taxpayer	Type of business	2015 assessed valuation*	Percentage of total assessed valuation
Wal-Mart	Retail	$ 56,481,483	1.42%
Aragon 2014/8500 Harwood LLC	Multi Family	46,787,500	1.18%
Columbia N Hills Hosp Sub	Healthcare Provider	41,217,465	1.04%
Ap Wp N Richland Hills Reit	Multi Family	35,325,823	0.87%
AP Wp Green Reit LLC	Multi Family	34,993,324	0.86%
Enclave at Hometown LP	Multi Family	34,950,000	0.86%
Company One, LLC	Real Estate	30,408,220	0.75%
Oncor Electric Delivery Co.	Utility Service Provider	23,194,169	0.57%
Chesapeake Operating (Wi)	Gas Utility	28,493,620	0.70%
AR-Hightower LP Etal	Multi Family	23,657,000	0.58%
		$ 355,508,604	8.84%

Year Ended September 30, 2007

Taxpayer	Type of business	2006 assessed valuation*	Percentage of total assessed valuation
Wal-Mart	Retail	$ 62,207,772	1.83%
Hospital Corporation of America	Healthcare Provider	39,758,078	1.17%
Western RIM Investors LP	Real Estate	38,363,174	1.13%
Home Depot, Inc.	Retail	29,569,567	0.87%
Mega Life & Health Insurance Co.	Insurance	27,555,456	0.81%
Alliance Park Portfolio, LLC	Real Estate	26,541,142	0.78%
TXU Electric Delivery	Utility Service Provider	26,338,765	0.77%
Delaware Oak River LLC	Property Developer	23,968,000	0.70%
Five Star Ford/Pack Properties	Automotive Dealership	23,180,386	0.68%
Kimberly-Clark/Tecnol, Inc.	Manufacturer	20,901,375	0.61%
		$ 318,383,715	9.35%

CITY OF NORTH RICHLAND HILLS, TEXAS
Property Tax Levies and Collections
Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Total tax levy	Collected within the Fiscal Year of the Levy	
		Amount	Percent of levy
2007	$ 19,420,705	$ 19,133,840	98.52%
2008	20,379,252	19,980,714	98.04%
2009	21,429,065	21,268,426	99.25%
2010	21,377,437	21,115,928	98.78%
2011	20,533,211	20,281,233	98.77%
2012	20,623,649	20,370,425	98.77%
2013	22,769,664	22,175,814	97.39%
2014	23,430,493	22,797,806	97.30%
2015	24,472,461	23,954,022	97.88%
2016	25,342,035	24,810,326	97.90%

Table 8

Collections of Previous Years	Total Collections to Date	
	Amount	Percent of Levy
$ 262,947	$ 19,396,787	99.88%
371,277	20,351,991	99.87%
123,798	21,392,224	99.83%
214,032	21,329,960	99.78%
201,579	20,482,812	99.75%
195,763	20,566,188	99.72%
498,732	22,674,546	99.58%
460,351	23,258,157	99.26%
343,336	24,297,358	99.28%
375,049	25,185,375	99.38%

CITY OF NORTH RICHLAND HILLS, TEXAS
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(Unaudited)

(dollars in thousands, except per capita)

Fiscal Year	Estimated population (1)	Net Taxable value (2)	General Bonded Debt: General obligation bonds	General Bonded Debt: Certificates of obligation	General Bonded Debt: Loans payable
2007	64,050	$ 3,407,141	$ 37,821	$ 7,842	$ -
2008	65,750	3,574,409	37,823	7,041	-
2009	66,100	3,759,485	39,810	7,229	1,550
2010	66,400	3,750,428	41,725	8,255	1,625
2011	63,420	3,602,318	41,000	9,575	1,242
2012	63,420	3,618,184	64,269	33,330	840
2013	63,420	3,732,732	68,945	30,910	311
2014	65,690	3,841,064	79,927	36,050	-
2015	66,300	4,056,028	80,059	53,401	-
2016	66,530	4,150,188	74,421	49,534	-

Fiscal Year	Other Gov't Activities Debt: Sales tax revenue bonds	Business-Type Activities: General obligation bonds	Business-Type Activities: Certificates of obligation	Business-Type Activities: Capital leases	Total business-type activities
2007	$ 10,340	$ 3,537	$ 4,866	$ -	$ 8,403
2008	5,410	2,790	6,865	-	9,655
2009	4,520	2,350	11,254	-	13,604
2010	3,600	1,890	11,285	-	13,175
2011	2,640	1,405	12,610	-	14,015
2012	1,645	2,210	16,415	388	19,013
2013	615	1,760	15,300	317	17,377
2014	210	1,693	15,280	245	17,218
2015	105	1,952	13,730	163	15,845
2016	-	3,184	15,247	92	18,523

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See Table 13 for additional population statistics.

(2) See Table 5 for additional information on net taxable value.

(3) Includes general bonded debt, other governmental activities debt, and business-type activities debt, net of premiums and discounts.

Table 9

	Total General Bonded Debt	Percentage of Net Taxable value	General Bonded Debt per Capita (1)
$	45,663	1.34%	713
	44,864	1.26%	682
	48,589	1.29%	735
	51,605	1.38%	777
	51,817	1.44%	817
	98,439	2.72%	1,552
	100,166	2.68%	1,579
	115,977	3.02%	1,766
	133,460	3.29%	2,013
	123,955	2.99%	1,863

	Total (3) primary government	Total bonded debt per capita (1)	Percentage of per capita income (1)
$	59,476	929	2.94%
	59,038	898	2.87%
	65,793	995	3.31%
	67,420	1,015	3.40%
	67,477	1,064	3.37%
	118,067	1,862	5.97%
	117,753	1,857	5.79%
	133,300	2,029	6.39%
	149,305	2,252	7.09%
	142,478	2,142	6.74%

CITY OF NORTH RICHLAND HILLS, TEXAS **Table 10**
Computation of Direct and Overlapping Debt
September 30, 2016

(Unaudited)

Jurisdiction	Net bonded debt outstanding		Percentage applicable (2)	City share of overlapping debt
City of North Richland Hills	$ 112,100,564	(1)	100.00%	$ 112,100,564
Birdville Independent School District	279,353,750		47.45%	132,553,354
Hurst-Euless-Bedford				
Independent School District	261,627,579		0.06%	156,977
Keller Independent School District	728,705,387		3.86%	28,128,028
Tarrant County	344,185,000		2.91%	10,015,784
Tarrant County Hospital District	22,335,000		2.91%	649,949
Total overlapping debt				171,504,092
Total direct and overlapping debt				$ 283,604,656

Source: First Southwest and respective entities' records.

(1) Less - self-supporting debt

(2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

CITY OF NORTH RICHLAND HILLS, TEXAS **Table 11**
Computation of Legal Debt Margin
Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Net Taxable Value	Debt Limit	Total Debt Service	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit
2007	$ 3,407,141,199	$ 51,107,118	$ 7,841,064	$ 43,266,054	15.34%
2008	3,574,409,064	53,616,136	7,232,025	46,384,111	13.49%
2009	3,759,485,131	56,392,277	6,716,239	49,676,038	11.91%
2010	3,750,427,552	56,256,413	8,149,644	48,106,769	14.49%
2011	3,602,317,712	54,034,766	9,263,791	44,770,975	17.14%
2012	3,618,184,021	54,272,760	7,567,382	46,705,378	13.94%
2013	3,732,731,760	55,990,976	8,768,411	47,222,565	15.66%
2014	3,841,064,449	57,615,967	9,565,203	48,050,764	16.60%
2015	4,056,028,230	60,840,423	11,196,142	49,644,281	18.40%
2016	4,150,187,927	62,252,819	12,687,632	49,565,187	20.38%

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CITY OF NORTH RICHLAND HILLS, TEXAS **Table 12**
Pledged Revenue Coverage
Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Park and Recreation Facilities Development Sales Tax Revenue Bonds					
	Sales Tax Revenues	Less: Current Expenditures	Net Revenue Available	Debt Service			Coverage
				Principal	Interest	Total (1)	
2007	$ 4,284,040	$ 2,426,805	$ 1,857,235	$ 860,000	$ 278,083	$ 1,138,083	1.63
2008	4,410,260	2,824,368	1,585,892	890,000	291,953	1,181,953	1.34
2009	4,077,162	2,990,209 (2)	1,086,953	920,000	187,763	1,107,763	0.98
2010	4,211,692	3,027,159	1,184,533	960,000	167,000	1,127,000	1.05
2011	4,179,388	3,284,467	894,921	995,000	123,349	1,118,349	0.80
2012	4,241,341	5,580,061	(1,338,720) (3)	1,030,000	80,075	1,110,075	(1.21)
2013	4,343,358	5,729,298 (4)	(1,385,940) (3)	405,000	31,315	436,315	(3.18)
2014	4,506,169	5,559,713 (4)	(1,053,544) (3)	355,000	117,243	472,243	(2.23)
2015	4,648,841	5,703,671 (4)	(1,054,830) (3)	455,000	109,153	564,153	(1.87)
2016	4,837,974	5,896,984 (4)	(1,059,010) (3)	240,000	89,055	329,055	(3.22)

(1) Includes interest and fiscal agent charges.

(2) 2009 current expenditures totaling $4,090,209 found in the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for Nonmajor Governmental Funds includes a one time TIF transfer of $1.1M for the Recreation Center project. For purposes of pledged revenue coverage current expenditures have been reduced by this amount.

(3) Bond convenant for sales tax revenue bonds mandates sufficient fund balance to cover average debt service payments unpaid. Negative coverage indicates that fund balance reserves are being used to cover debt service requirements. The City has sufficient fund balance coverage to pay all debt service due.

(4) Excludes capital outlay

CITY OF NORTH RICHLAND HILLS, TEXAS
Demographic Statistics
Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Estimated population (2)		Median income (6)	Per capita income (6)
2007	64,050		$ 67,951	$ 31,558
2008	65,750		69,669	31,278
2009	66,100		67,850	30,084
2010	66,400		68,082	29,882
2011	63,420	(4)	63,594	31,615
2012	63,420		78,911	31,175
2013	63,420		82,051	32,079
2014	65,690		81,100	31,766
2015	66,300		66,475	32,176
2016	66,530		65,121	32,549

Sources:

(1) Birdville Independent School District
(2) North Central Texas Council of Governments and City estimates
(3) Texas Employment Commission
(4) Population was adjusted based on census.
(5) Includes North Richland Hills students only
(6) ESRI Business Information Solutions, Inc
(7) Reported as a percentage of residents with a high school diploma or greater

CITY OF NORTH RICHLAND HILLS, TEXAS **Table 13**
Demographic Statistics
Last Ten Fiscal Years

(Unaudited)

Median age (6)	Education level (6) (7)	School enrollment (1) (5)	Unemployment rate (3)
35.9	90%	10,724	3.8
35.6	91%	10,972	4.7
35.6	91%	11,179	5.5
35.6	91%	11,431	6.9
38	91%	11,615	7.3
38.2	91%	10,843	6.3
38.4	91%	10,883	5.5
38.5	95%	10,795	4.9
38.6	92%	11,452	3.3
38.9	92%	11,206	3.8

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CITY OF NORTH RICHLAND HILLS, TEXAS **Table 14**
Principal Employers

(Unaudited)

Year Ended September 30, 2016

Employer	Employees[3]	Rank	Percentage of total City employment*
Santander Consumer USA, Inc.	1,650	1	4.36%
Wal-Mart Supercenters	795	2	2.10%
Birdville ISD[1]	791	3	2.09%
North Hills Hospital	785	4	2.07%
City of North Richland Hills	543	5	1.43%
Tarrant County College - NE Campus[2]	476	6	1.26%
HealthMarkets	452	7	1.19%
Tyson Prepared Foods	380	8	1.00%
Silverleaf Resorts	278	9	0.73%
Portfolio Recovery Associates	233	10	0.62%
	6,383		16.85%

Year Ended September 30, 2007

Employer	Employees	Rank	Percentage of total City employment*
Health Markets	1,300	1	3.74%
Birdville ISD[1]	1,136	2	3.26%
Triad Financial Corporation	1,050	3	3.02%
North Hills Hospital	780	4	2.24%
City of North Richland Hills	512	5	1.47%
TCC - NE Campus[2]	475	6	1.37%
Silverleaf Resorts	414	7	1.19%
Tyson Prepared Food	410	8	1.18%
Wal-Mart Supercenter	361	9	1.04%
Wal-Mart Supercenter	352	10	1.01%
	6,790		19.52%

[1] Number denotes employees working in schools in the City of NRH

[2] Split with Hurst

[3] Actual number of employees employed at time of reporting

* Source: City records

CITY OF NORTH RICHLAND HILLS, TEXAS
Full-time Equivalent Municipal Employees by Function/Program
Last Ten Fiscal Years

	Fiscal Year					Fiscal Year
	2016	2015	2014	2013	2012	2011
General government						
Administration	5.00	5.00	4.70	4.70	4.70	4.70
Public information	4.00	4.00	4.00	4.00	4.00	4.00
Judicial	15.00	15.00	15.00	15.00	15.00	15.00
Finance	23.00	23.00	23.00	22.00	23.00	23.00
Nondepartmental	1.00	1.00	1.00	1.00	1.00	1.00
Human resources	1.00	1.00	1.00	1.00	1.00	1.00
Planning and inspections	10.30	10.30	10.30	10.30	8.30	8.30
Neighborhood services	19.73	19.73	18.75	18.75	18.75	18.75
Budget and research	3.00	3.00	3.00	3.00	3.00	3.00
Public relations	3.50	3.50	3.75	3.75	3.75	3.75
Total general government	85.53	85.53	84.50	83.50	82.50	82.50
Public safety						
Police	193.88	191.88	189.88	187.88	186.88 (1)	165.20
Fire	94.00	91.00	91.00	91.00	90.00	88.00
Total public safety	287.88	282.88	280.88	278.88	276.88	253.20
Culture and recreation						
Parks and recreation	163.48	162.10	162.70	160.25 (2)	145.55	121.53
Library	28.03	27.11	27.11	27.11	27.11	28.58
Economic development	3.00	3.00	3.00	4.00	3.00	3.00
Total culture and recreation	194.51	192.21	192.81	191.36	175.66	153.11
Public works	79.18	78.18	78.18	79.68	77.68	77.68
Internal services						
Building services	15.63	15.63	15.73	15.23	16.23	16.23
Equipment services	13.00	13.00	13.00	13.00	13.00	13.00
Self-insurance	5.00	5.00	5.10	5.10	5.10	5.10
Information services	12.00	12.00	12.00	12.00	11.00	11.00
Total internal services	45.63	45.63	45.83	45.33	45.33	45.33
Total full-time equivalents	692.73	684.43	682.20	678.75	658.05	611.82

Source: City operating budget

(1) Consolidated services with Haltom City, City of Richland Hills and City of Watauga for Communication & Detention Centers

(2) Increase due to new staff members for the Recreation Center

Table 15

2010	2009	2008	2007
3.70	4.75	5.25	5.25
5.00	5.00	5.00	5.00
15.50	15.50	16.50	14.00
23.00	23.50	23.50	23.50
1.00	1.00	1.00	1.00
1.00	1.00	1.00	1.00
9.30	11.30	11.30	12.30
18.75	19.75	18.75	18.75
3.00	3.00	3.00	3.00
6.75	6.75	6.75	7.19
87.00	91.55	92.05	90.99
164.22	165.22	164.65	159.65
91.00	91.00	91.00	92.00
255.22	256.22	255.65	251.65
118.76	118.90	120.22	120.30
28.16	28.16	28.16	23.33
3.00	3.00	3.00	3.00
149.92	150.06	151.38	146.63
78.68	79.68	80.18	79.18
16.36	16.36	15.86	14.23
13.50	11.65	11.65	11.65
5.10	6.00	6.00	6.00
11.00	12.00	12.00	12.00
45.96	46.01	45.51	43.88
616.77	623.52	624.77	612.33

CITY OF NORTH RICHLAND HILLS, TEXAS
Operating Indicators by Function/Program
Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	2016	2015	2014	2013
General government				
Planning and Inspections				
Construction				
Commercial units	20	65	35	25
Commercial value	$ 13,603,082	$ 11,481,833	$ 14,309,733	$ 15,498,935
Residential units	238	122	321	189
Residential value	75,615,139	36,838,614	27,754,692	46,472,244
Public safety				
Police				
Law violations (1)	2,595	3,144	3,014	3,215
Part one offenses	1,560	1,868	1,644	1,960
Traffic violations	17,566	21,305	17,052	22,215
Calls for service	111,984	112,313	107,393	114,269
Case clearance %	23%	28%	23%	58%
Fire				
Total responses	7,932	7,475	7,276	7,189
Fire responses	2,402	2,221	2,412	2,275
EMS responses	5,530	5,254	4,864	4,914
% responses < 5 minutes	64%	74%	70%	58%
Total inspections	3,143 (14)	1,232	1,201	768
Culture and recreation				
Parks and recreation				
Water park admissions	221,101	227,525	219,077	242,490
Golf rounds played	47,873	43,250	45,339	48,229
Library				
Number of volumes	174,156	214,867	202,103	204,302
Annual circulation	814,070	939,022	854,452	771,994
Annual loans per capita	11.76	14.16	13.01	12.17
Public works				
Water				
Avg daily consumption (2)	1,160,247	1,165,254	1,219,696	1,278,326
Peak daily consumption (2)	2,614,973	2,582,620	2,441,043	2,624,198
Streets				
Street overlay - miles	4	4	4	1
Concrete pavement repair - sq. ft.	14,052	3,113	6,258	6,488
Pothole repair - sq. ft.	4,767	4,467	2,677	2,152
Street cut - sq. ft.	162,607	153,559	163,910	86,160
Sign fabrication	1,215	1,179	850	973

Source: City records
(1) Excludes traffic violations.
(2) Cubic feet.
(3) Remodels included in error.
(4) Overlay was moved into the 2008-2009 Budget Year because Public Works was assessing program options.
(5) Library closed from March 20th to April 19th, 2008 in order to move to new location.
(6) Loan period changed from 2 weeks to 3 weeks.
(7) FY 2009-2010 calculated on a Fiscal Year basis and additional call types now being tracked.
(8) Reported from the National Incident-Based Reporting System annual report.
(9) Decline in response time is due to in-town traffic increasing because of the Hwy 820 expansion causing a longer drive time.
(10) Reinspections are down due to corrected violations.
(11) Inspection numbers unavailable for the year due to changes in the computer record management system and procedures.
(12) Conversion to new computer record management system incomplete therefore Company Inspections are unavailable.
(13) Decrease due to the installation of the Fibre Crete this year.
(14) Increase in inspections is due to it being the first year that the record keeping has been fully migrated/implemented/online and pushed out to the companies as well as working out issues with the iPads and Firehouse software (RMS system) program.

Table 16

2012	2011	2010	2009	2008	2007
91 (3)	24	47	41	51	56
$ 7,533,480 (3)	$ 3,489,824	$ 4,578,000	$ 3,790,657	$ 7,907,730	$ 15,083,593
168	122	66	55	116	235
42,138,527	27,218,868	14,289,559	13,295,377	31,498,499	54,190,911
3,463	3,574 (8)	4,071	4,270	4,289	3,403
1,791	2,075 (8)	3,452	3,190	3,458	3,216
22,155	20,733	24,747	25,111	28,899	20,010
115,644	137,243	137,645 (7)	123,877	124,212	103,137
26%	42%	40%	41%	41%	36%
7,064	6,850	6,555	6,551	6,929	6,749
2,235	1,762	1,371	1,617	1,843	1,651
4,829	5,088	5,184	4,934	5,086	5,098
70%	51% (9)	73%	73%	72%	72%
- (11)	2,005 (10)	2,169	2,308	2,412	2,007
272,336	270,845	242,554	231,379	233,654	248,205
50,524	51,264	47,594	54,373	56,192	48,838
206,840	200,982	196,042	192,044	180,737	177,270
947,883	840,667	828,889	764,195	606,639 (5) (6)	660,627
14.95	13.26	12.48	11.56	9.23 (5)	10.31
1,306,524	1,521,220	1,205,104	1,213,697	1,317,622	1,178,439
2,938,102	3,091,043	2,627,674	2,751,337	2,963,770	2,449,372
4	6	4	5	2 (4)	8
5,322	9,372	16,163	12,655	4,404 (4)	14,694
4,577	3,974	6,786	4,303	5,499 (4)	10,480
176,844	162,577	193,400	162,446	121,809 (4)	156,141
852	935	953	1,119	1,455	2,040

CITY OF NORTH RICHLAND HILLS, TEXAS
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	2016	**2015**	**2014**	**2013**
Public safety				
Police				
Stations	$ 1	$ 1	$ 1	$ 1
Fire				
Stations	5	4	4	4
Fire hydrants	2,251	2,219	2,202	2,162
Culture and recreation				
Parks and recreation				
Parks	34	33	33	33
Park acreage	735	734	734	709
Playgrounds	22	22	22	20
Trails - miles	31	30	30	21
Golf courses	1	1	1	1
Recreations centers	1	1	1	1
Athletic fields	53	53	53	53
Senior centers	1	1	1	1
Library				
Libraries	1	1	1	1
Public works				
Water mains - miles	370	367	356	355
Water connections	21,988	21,329	21,141	20,936
Wastewater lines - miles	255	252 (3)	293	292
Wastewater connections	20,212	19,919	19,761	19,603
Storm drain - miles	139	139	139	139
Streets - miles	241	238	238	238
Street lights	2,545	2,545	2,545	2,545

Source: City records

(1) Department implemented a complete inventory system in 2009 that will provide more accurate counts.
(2) New Senior Center in NRH Centre combined/closed Dan Echols and Bursey Road Senior Citizen Centers
(3) Department's system inventory report was calculated by outside source.

Table 17

2012		2011	2010	2009		2008	2007
$ 1		$ 1	$ 1	$ 1		$ 1	$ 1
4		4	4	4		4	4
2,127		2,125	2,139	2,100	(1)	2,119	2,077
33		33	32	32		32	32
709		709	708	708		706	706
20		20	20	20		20	20
21		21	20	20		20	20
1		1	1	1		1	1
1		1	1	1		1	1
53		53	53	53		53	53
1	(2)	2	2	2		2	2
1		1	1	1		1	1
351		346	356	341	(1)	356	354
20,792		20,522	20,420	20,302		20,282	20,516
290		288	288	285	(1)	245	244
19,469		19,240	19,141	19,068		19,053	19,350
139		139	139	139		138	137
238		238	237	235		234	232
2,545		2,540	2,531	2,525		2,518	2,513